



PROFESSIONAL REAL ESTATE SERVICES

August 29, 2005

Mr. Jason Petuck
MORGAN STANLEY BANK
And
MORGAN STANLEY MORTGAGE CAPITAL, INC.
1221 Avenue of the Americas, 27th Floor
New York, New York 10020

RE: Appraisal of an Office Building

3050 Hempland Road

Lancaster, Pennsylvania 17601

ORG File No. A05-235

Dear Mr. Petuck:

At your request and authorization, *Originators Resource Group, Inc. (ORG)* has prepared a Complete Appraisal presented in a Self-Contained appraisal report format of the current "as-is" market value of the leased fee estate in the above-referenced real property.

The subject of this report, 3050 Hempland Road, is located on the south side of Hempland Road in Lancaster, Lancaster County, Pennsylvania. This one-story professional office building was built in 1972 and contains an aggregate 53,207 square feet of gross building area. Net rentable area is the same. The structure sits on an irregular shaped site containing an aggregate 114,998± square feet (7.06± acres). The building is 100.0% leased by one tenant, and was in good condition as of our inspection date. The subject is more fully described, legally and physically within the enclosed report.

Extraordinary Assumptions: We note that this appraisal is made with limited historical information at the Client's request. Requested information by *ORG* includes 3 years of historical income and expense statements (no expense information was submitted), copies of the leases and/or detailed lease abstracts (a copy of the lease as well as a rent roll was submitted). Accordingly, if new information is submitted at a later date contradicting the information used for the appraisal analysis contained herein and proven to be factual, *Originators Resource Group, Inc.* reserves the right to amend the appraisal conclusions reported herein.

Hypothetical Conditions: This appraisal employs no hypothetical conditions.

Based on research and analysis contained in this report, it is estimated that the current market value of the leased fee estate in the subject property, in "as is" condition, on August 23, 2005, is:

	VALUE CONCLUSION	
Valuation	Value "As Is"	Value Per SF
Value Conclusion	\$7,400,000	\$139.08
Source: Originators Resource Group	o, Inc.	_

The following appraisal sets forth the most pertinent data gathered, the techniques employed, and the reasoning leading to the opinion of value. The analyses, opinions and conclusions were developed based on, and this report has been prepared in conformance with, our interpretation of the guidelines and recommendations set forth in the Uniform Standards of Professional Appraisal Practice (USPAP), the requirements of the Code of Professional Ethics and Standards of Professional Appraisal Practice of the Appraisal Institute, and The Financial Institutions Reform, Recovery, and Enforcement Act of 1970 (FIRREA), Title XI Regulations. The appraisal also complies with the Morgan Stanley Bank and Morgan Stanley Mortgage Capital, Inc.'s Underwriting Manual guidelines.



Reliance Language and Acknowledgment

These reports may be relied upon by Morgan Stanley Bank and Morgan Stanley Mortgage Capital, Inc., and/or assigns, in determining whether to make a loan evidenced by a note (the "Property Note") which is further secured by the property. These reports may be relied upon by any purchaser or assignee of the Property Note in determining whether to acquire the Property Note or any interest therein. In addition, these reports may be relied upon by any rating agency involved in the rating of securities secured by, or representing an interest in, the Property Note. These reports may be used in connection with materials offering for sale the Property Note, or an interest in the Property Note, and in presentations to any rating agency. With respect to the foregoing, these reports speak only as of the origination date of these reports unless specifically updated through a supplemental report.

We have performed our services and prepared this Report in accordance with applicable, generally accepted engineering, environmental or appraisal consulting practices. We make no other warranties, either expressed or implied, as to the character and nature of such services and product.

Data, information, and calculations leading to the value conclusion are incorporated in the report following this letter. The report, in its entirety, including all assumptions and limiting conditions, is an integral part of and inseparable from this letter.

It has been a pleasure to assist you in this assignment. If you have any questions concerning the analysis, or if *Originators Resource Group, Inc.* can be of further service, please do not hesitate to contact us.

Respectfully submitted,

ORIGINATORS RESOURCE GROUP, INC.

Vedelae

by:

Dimitri M. Teddone, MAI

Principal

Amit Daswani Associate

Smit Doswoni

CERTIFICATION OF THE APPRAISER

We certify that to the best of our knowledge and belief:

- 1. The statements of fact contained in this report are true and correct.
- 2. The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, impartial and unbiased professional analyses, opinions, and conclusions.
- 3. We have no present or prospective interest in or bias with respect to the property that is the subject of this report and have no personal interest in or bias with respect to the parties involved with this assignment.
- 4. Our engagement in this assignment was not contingent upon developing or reporting predetermined results.
- 5. Our compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- 6. This appraisal assignment was not based upon a requested minimum valuation, a specific valuation, or the approval of a loan.
- 7. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice of The Appraisal Foundation and the requirements of the Code of Professional Ethics and the Standards of Professional Appraisal Practice of the Appraisal Institute. This report also conforms to the requirements of the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA).
- 8. The use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.
- 9. Dimitri M. Teddone, MAI has completed the requirements of the continuing education program of the Appraisal Institute.
- 10. Amit Daswani, Associate, has made a personal inspection of the property that is the subject of this report.
- 11. No one provided professional assistance to the persons signing this report.
- 12. Dimitri M. Teddone, MAI has extensive experience in the appraisal/review of similar property types.
- 13. Dimitri M. Teddone, MAI is certified in the state where the subject is located.
- 14. Although other professionals not in the employ of *Originators Resource Group, Inc.* may be contacted as a part of our routine market research investigations, absolute client confidentiality and privacy are maintained at all times with regard to this assignment without conflict of interest.
- 15. Originators Resource Group, Inc.'s liability is limited to the value of the agreed-upon fee for these appraisal services. This clause supersedes any and all clauses in this agreement, and/or any prior and/or current master agreement(s). As a condition of hiring Originators Resource Group, Inc. for these appraisal services, the client has agreed to these express terms.

Dimitri M. Teddone, MAI

Principal

Amit Daswani Associate

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SUBJECT PHOTOGRAPHS



THE SUBJECT PROPERTY: 3050 HEMPLAND ROAD, LANCASTER, PENNSYLVANIA



SUMMARY OF SALIENT FACTS





HEMPLAND ROAD FACING WESTWARD

HEMPLAND ROAD FACING EASTWARD





US 30 FACING EASTWARD

US 30 FACING WESTWARD





EXTERTIOR: SIGNAGE

INTERIOR: SIGNAGE

SUMMARY OF SALIENT FACTS



BUILDING STORAGE



INTERIOR: TYPICAL HALLWAY



BUILDING MECHANICALS



BUILDING MECHANICALS



BUILDING MECHANICALS



INTERIOR: TYPICAL CLASSROOM

SUMMARY OF SALIENT FACTS

SUMMARY OF SALIENT FACTS

Property Type: An office property

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Property Name: York Technical Institute

Location: 3050 Hempland Road , Lancaster, Lancaster County, Pennsylvania 17601

Assessor's Parcel Number: 290-95687, 290-75280, & 290-08331

Property Rights Appraised: Leased Fee Estate

Date of Value: August 23, 2005

Highest and Best Use

- As Though Vacant: Immediate development as an office structure

- As Improved: Professional office facility

PROPERTY DESCRIPTION

Property Description: The subject of this report, 3050 Hempland Road, is located on the south

side of Hempland Road in Lancaster, Lancaster County, Pennsylvania. This one-story professional office building was built in 1972 and contains an aggregate 53,207 square feet of gross building area. Net rentable area is the same. The structure sits on an irregular shaped site containing an aggregate 114,998± square feet (7.06± acres). The building is 100.0% leased by one tenant, and was in good condition as of our inspection date. The subject is more fully described, legally and physically within the

enclosed report.

Land Area: 114,998± square feet (7.06± acres)

Improvements

Year Built (Age):1972Number of Stories:One-storyNumber of Tenants:One (1)Gross Building Area:53,207 SFNet Rentable Area:53,207 SFOverall Condition:GoodCurrent Occupancy:100.00%

VALUATION

- Cost Approach: N/A

- Sales Comp. Approach: \$7,400,000 - Income Cap. Approach: \$7,400,000 Final Value Conclusion: \$7,400,000 - Price Per SF: \$139.08/SF Insurable Value: \$5,400,000 Estimated Exposure Time: 12 months or less

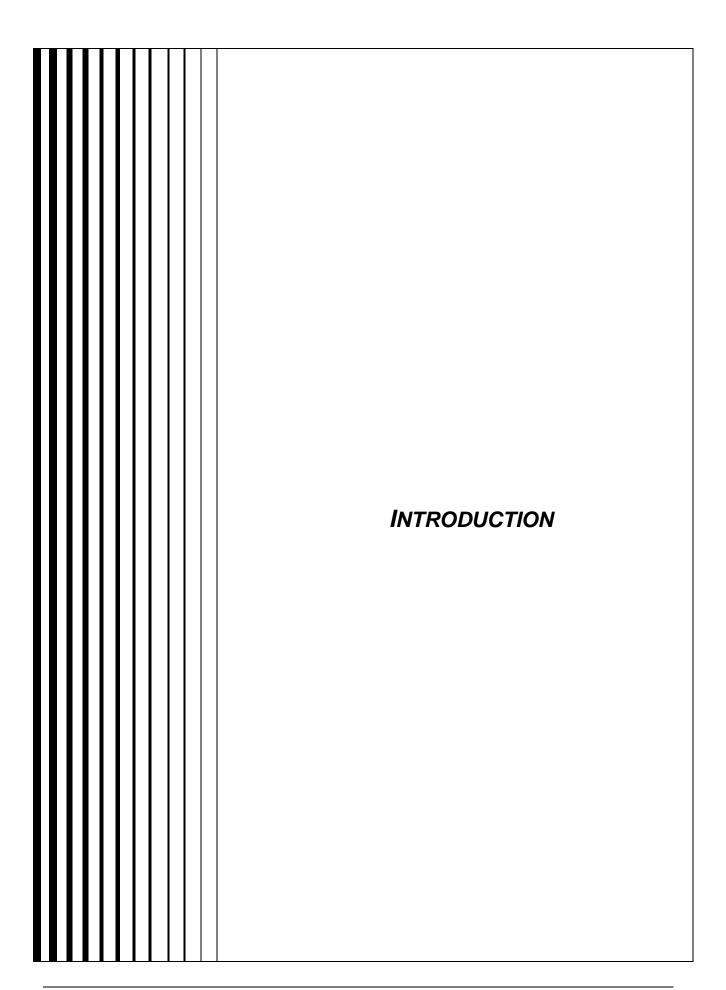
Special Appraisal Please refer to the Introduction section of the report for "Special Appraisal

Instructions: Instructions"

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INTRODUCTION

SUBJECT

The subject of this report, 3050 Hempland Road, is located on the south side of Hempland Road in Lancaster, Lancaster County, Pennsylvania. This one-story professional office building was built in 1972 and contains an aggregate 53,207 square feet of gross building area. Net rentable area is the same. The structure sits on an irregular shaped site containing an aggregate 114,998± square feet (7.06± acres). The building is 100.0% leased by one tenant, and was in good condition as of our inspection date. The subject is more fully described, legally and physically within the enclosed report.

LEGAL DESCRIPTION

The subject is legally described as Parcel ID No. 290-95687, 290-75280, & 290-08331.

CLIENT

Mr. Jason Petuck

MORGAN STANLEY BANK

And

MORGAN STANLEY MORTGAGE CAPITAL, INC.

1221 Avenue of the Americas, 27th Floor New York, New York 10020

APPRAISER

Amit M. Daswani, Associate & Dimitri M. Teddone, MAI, Principal **ORIGINATORS RESOURCE GROUP, INC.**

350 Lexington Avenue, Suite 402 New York, New York 10016

DATE OF INSPECTION AND VALUATION

The site was last inspected by Amit Daswani, Associate, on August 23, 2005.

OWNERSHIP AND PROPERTY HISTORY

Ownership and Property History

Current Ownership: YTI, Inc. c/o Harold L. Maley, with offices located at 1405 Williams Road,

York, Pennsylvania, 17402.

Current Disposition: Currently, the subject is under contract to be sold with one other property (as

a portfolio) to Blackford Development, Ltd. (buyer) with offices located at 120 North Pointe Boulevard, Suite 300, Lancaster, Pennsylvania 17601. The portfolio is in consideration for \$13,300,000; however, an allocation of the purchase price per asset was not made. *Originators Resource Group, Inc.* believes that Blackford Development, Ltd. (buyer) is purchasing the property

at a price well below market value.

Sale History: Other than the aforementioned transaction and according the public records,

the subject has not transferred within the three years prior to the appraisal

date.

Compiled By: Originators Resource Group, Inc.

INTENDED USE OF REPORT

The purpose of this appraisal is for possible financing purposes.

PROPERTY RIGHTS APPRAISED

The value estimated represents the leased fee estate.

PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the current market value of the leased fee estate in the subject property, in "as is" condition. Market value is defined as follows:

The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

- 1. Buyer and seller are typically motivated;
- 2. Both parties are well informed or well advised, and acting in what they consider their own best interests:
- 3. A reasonable time is allowed for exposure in the open market;
- 4. Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
- 5. The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. ¹

TERMS AND DEFINITIONS

Please refer to the Addenda for a Glossary of the Terms and Definitions that are, and may be used in this appraisal.

SPECIAL APPRAISAL INSTRUCTIONS

These reports may be relied upon by Morgan Stanley Bank and Morgan Stanley Mortgage Capital, Inc., and/or assigns, in determining whether to make a loan evidenced by a note (the "Property Note") which is further secured by the property. These reports may be relied upon by any purchaser or assignee of the Property Note in determining whether to acquire the Property Note or any interest therein. In addition, these reports may be relied upon by any rating agency involved in the rating of securities secured by, or representing an interest in, the Property Note. These reports may be used in connection with materials offering for sale the Property Note, or an interest in the Property Note, and in presentations to any rating agency. With respect to the foregoing, these reports speak only as of the origination date of these reports unless specifically updated through a supplemental report.

We have performed our services and prepared this Report in accordance with applicable, generally accepted engineering, environmental or appraisal consulting practices. We make no other warranties, either expressed or implied, as to the character and nature of such services and product.

EXTRAORDINARY ASSUMPTIONS

An extraordinary assumption is defined by the *Uniform Standards of Professional Appraisal Practice as:*

"An assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

We note that this appraisal is made with limited historical information at the Client's request. Requested information by *ORG* includes 3 years of historical income and expense statements (no expense information was submitted), copies of the leases and/or detailed lease abstracts (a copy of the lease as well as a rent roll was submitted). Accordingly, if new information is submitted at a later date contradicting the information used for the appraisal analysis contained herein and proven to be factual, *Originators Resource Group, Inc.* reserves the right to amend the appraisal conclusions reported herein.

HYPOTHETICAL CONDITIONS

A hypothetical condition is defined by the *Uniform Standards of Professional Appraisal Practice as*:

The definition of market value is taken from: The Office of the Comptroller of the Currency under 12 CFR, Part 34, Subpart C-Appraisals, \$34.42(f), August 24, 1990. This definition is compatible with the definition of market value contained in *The Dictionary of Real Estate Appraisal*, Third Edition, and the Uniform Standards of Professional Appraisal Practice adopted by the Appraisal Standards Board of The Appraisal Foundation, 1992 edition. This definition is also compatible with the OTS, RTC, FDIC, NCUA, and the Board of Governors of the Federal Reserve System definition of market value.

"That which is contrary to what exists but is supposed for the purpose of analysis. Hypothetical conditions assume conditions contrary to known facts about physical, legal, or economic characteristics of the subject property; or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis."

This appraisal employs no hypothetical conditions.

APPRAISAL DEVELOPMENT AND REPORTING PROCESS

The following steps were completed by Originators Resource Group, Inc. for this assignment:

- 1. Analyzed regional, city, neighborhood, site, and improvement data.
- 2. Inspected the subject and the neighborhood.
- 3. Reviewed data regarding taxes, zoning, utilities, easements, and city services.
- 4. Considered comparable improved sales, comparable improved building rental information, and comparable site sales. Confirmed data with principals, managers, or real estate agents representing principals, unless otherwise noted.
- 5. Analyzed the data to arrive at conclusions via each approach to value used in this report.
- 6. Reconciled the results of each approach to value employed into a probable range of market data and finally an estimate of value for the subject, as defined herein.
- 7. Estimated a reasonable exposure time associated with the value estimate.

The subject site and improvement descriptions are based on a personal inspection of the property and a review of the relevant site map. The inspection is not a substitute for thorough engineering studies.

To develop the opinion of value, *Originators Resource Group, Inc.* performed a complete appraisal process, as defined by the Uniform Standards of Professional Appraisal Practice. This means that no departures from Standard 1 were invoked.

This is a Complete Appraisal, in the form of a Self-Contained Report, which is intended to comply with the reporting requirements set forth under Standards Rule 2-2(b) of the Standards of Professional Appraisal Practice. In a complete appraisal, *Originators Resource Group, Inc.* uses all known applicable approaches to value. The value conclusion reflects all known information about the subject property, market conditions, and available data.

The Self-Contained Report incorporates to the fullest extent possible, practical explanation of the data, reasoning and analysis that were used to develop the opinion of value. It also includes thorough descriptions of the subject property and the market for the subject property type.

All significant data that was requested for this assignment was received by *Originators Resource Group, Inc.*

EXPOSURE TIME

Exposure time is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of the appraisal analysis and is based on one or more of the following:

- Statistical information about days on the market;
- · Information gathered through sales verification; and
- Interviews of market participants.

The reasonable exposure period is a function of price, time, and use. It is not an isolated estimate of time alone. Exposure time is different for various types of real estate and under various market conditions.

Exposure time is the estimated length of time the property would have been offered prior to a hypothetical market value sale on the effective date of appraisal. It is a retrospective estimate based on an analysis of recent past events, assuming a competitive and open market. It assumes not only adequate, sufficient, and reasonable time but also adequate, sufficient, and reasonable marketing effort. Exposure time is therefore interrelated with appraisal conclusion of value. In consideration of these factors, we have analyzed the following:

- Exposure periods of comparable sales revealed during the course of this appraisal;
- A published national investor survey; and
- Knowledgeable real estate professionals.

The following table presents the information derived from these sources:

EXPOSURE TIME INFORMATION									
Data Source	Exposure Time (Months) Range Average								
Class A Properties	3.0 4.0		6.0	4.3 6.5					
Class B Properties Class C Properties	6.0		9.0 12.0	8.2					
Local Market Professionals	3.0	-	12.0	6.0					
Source: CB Richard Ellis - National Investor Survey				·					

Compiled By: Originators Resource Group, Inc.

Based on the foregoing analysis, an exposure time of 12 months or less is reasonable, defensible, and appropriate. *Originators Resource Group*, Inc. assumes the subject would have been competitively priced and aggressively promoted regionally.

MARKETING TIME

Marketing time is the period a prospective investor would forecast to sell the subject property immediately after the date of value, at the value estimated. The marketing time is an estimate of the number of months it will require to sell the subject from the date of value, into the future. The anticipated marketing time is essentially a measure of the perceived level of risk associated with the marketability, or liquidity, of the subject property. The marketing time estimate is based on the data used in estimating the reasonable exposure time, in addition to an analysis of the anticipated changes in market conditions following the date of appraisal.

The future price for the subject (at the end of the marketing time) may or may not equal the appraisal estimate. The future price depends on unpredictable changes in the physical real estate, demographic and economic trends, real estate markets in general, supply/demand characteristics for the property type, and many other factors.

Based on the premise that present market conditions are the best indicators of future performance, a prudent investor will forecast that, under the conditions described above, the subject will require a marketing time of 12 months or less.

AREA ANALYSIS

The dynamic natures of economic relationships within a market area have a direct bearing on real estate values and the long-term quality of a real estate investment. In the market, the value of a property is not based on the price paid for it in the past or the cost of its creation, but on what buyers and sellers perceive it will provide in the future. Consequently, the attitude of the market toward a property within a specific neighborhood or market area reflects the probable future trend of that area.

Since real estate is an immobile asset, economic trends affecting its locational quality in relation to other competing properties within its market area will also have a direct effect on its value as an investment. To accurately reflect such influences, it is necessary to examine the past and probable future trends, which may affect the economic structure of the market and evaluate their impact on the market potential of the subject. This section of the report is designed to isolate and examine the discernible economic trends in the region, which influence and create value for the subject property.

REGIONAL INFLUENCES

The subject property is located in East Hempfield Township, Borough of Lancaster, in Lancaster County, Pennsylvania. Lancaster County is a geographical area consisting of 60 townships and comprising the Lancaster PA Metropolitan Statistical Area (MSA). The following pages discuss Lancaster County and the MSA. A regional map is presented below.



Lancaster, Pennsylvania

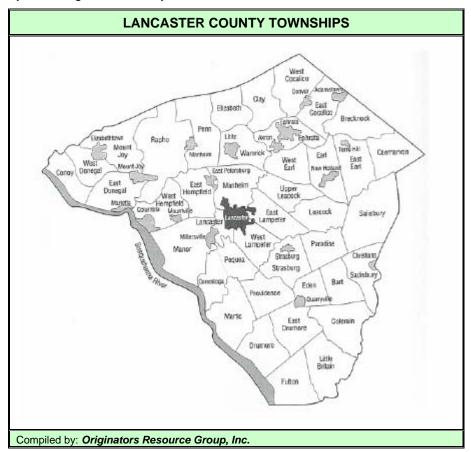
Lancaster is the oldest inland city in the United States of America. Lancaster County is approximately 946 square miles in size and accounts for 2.1% of the Pennsylvania's total area. Located in southeastern Pennsylvania, Lancaster lies approximately 70 miles west of Philadelphia, 70 miles north of Baltimore,

and 30 miles southeast of Harrisburg. The county is comprised of 18 boroughs and 41 townships. Some 87 percent of the residents of Lancaster County live in the boroughs while the remaining 13 percent live in Lancaster City.

At first a part of Chester County, the area became the fourth separate county in Pennsylvania in 1729. It was named Lancaster by John Wright, one of the first settlers, for his native Lancashire, England. Lancaster was incorporated as a city in 1818 and designated a third class city in 1924. Its original boundaries, set in 1742, extended one mile in each direction from Penn Square and remained fixed until a series of annexations began in 1947.

From the first, agriculture was a vital part of Lancaster County's economy. Although grains such as barley and wheat were the main crops originally, the rich and fertile soil was suitable for growing almost everything. Over the years, farming became more diversified as tobacco, market vegetables, corn, alfalfa, and tomatoes became major crops.

Dairy cattle and poultry also contributed to the county's standing as the wealthiest agricultural county in the country. The balance between farming and industry has been a major factor in maintaining the stable economy which has marked Lancaster County's history for close to three centuries. Today, it continues to be a mainstay in the region's economy.



Agriculture

One of the most fertile agricultural areas in the land, Lancaster County produces more agricultural products and yields more food than any other non-irrigated county in the nation. Factors that account for this high ranking include some of the richest soils in the nation, relatively little slope, moderate climate, and evenly distributed rainfall.

In its 2002-2003 Statistical Summary, the state Department of Agriculture ranked Lancaster County first in number of farms and total acreage, egg and milk production, layers, broilers, and other chickens raised, cattle and calves, milking cows, and hogs and pigs, and second in sheep and lambs. In crop production,

the county was first in corn, barley, alfalfa. The value of agricultural commodities in 2002 was more than \$952 million, by far the highest value of production in the state.

The county currently houses 5,910 farms occupying nearly 421,000 acres. Almost 30,000 acres of farmland were lost to development in the 10 years from 1980 to 1990, but that rate has slowed considerably thanks to preservation efforts. The Agricultural Preservation Board, established in 1980 by the county commissioners, has developed and administers a voluntary deed-restriction program. By October of 2004, the Board and the Lancaster Farmland Trust, a private nonprofit organization working in the county, had jointly preserved 717 farms covering more than 61,000 acres.

Business & Industry

One of the leading industrial areas of the state, Lancaster County is considered a prime location for manufacturing; away from congested areas, yet close to the major East Coast markets. Industry is highly diversified, which helps to maintain the economic stability.

In 2000, there were 10,805 businesses in the county, manufacturing, among other things, floor coverings, printed and published goods, electron tubes, farm machinery, food and kindred products, castings, steel fabrications, tobacco products, and pharmaceuticals. More than a dozen retirement communities have been developed in the county in recent years, making the retirement business a major industry here. The Amish also maintain more than 1,000 businesses employing some 3,500 people, producing and selling furniture, quilts, toys, tool sheds and gazebos, and produce.

Lancaster County manufacturing employers include Alcoa Mill Products, Inc. (905 employees, \$300-\$400 million in sales, aluminum sheets and coil); Armstrong World Industries, Inc. (2,305 employees, over \$150 million in sales, interior furnishings, floor coverings, building supplies); Burle Industries, Inc. (300 employees, over \$50 million in sales, security products); Grinnell Corporation, Div. of Tyco International, Ltd. (1,200 employees, \$25 million to \$100 million in sales, pipe fitting); and High Industries, Inc. (1,500 employees, over \$100 million in sales, metal fabrication and concrete products). High Industries also has two local subdivisions: High Steel Service Center (90 employees) and High Steel Structures (620 employees). Sales \$100+ million combined.

Tourism

Because of the area's historic sites, the city's architectural charm, the county's rolling, well-kept farmlands, and the large Amish community, Lancaster has become more and more attractive to tourists. Each year some 7 million persons visit the area, spending about \$1.6 billion and generating \$238 million in tax revenues.

Sites which draw the most visitors include the Amish Farm and House, Amish Village, Ephrata Cloister, Dutch Wonderland, Historic Downtown Lancaster with its walking tours, Central Market and the Heritage Center, Kitchen Kettle Village, Landis Valley Museum, PA Renaissance Faire, Railroad Museum of Pennsylvania, Renninger's Antique and Collectors Market, Rockvale Square Outlets, Sight and Sound Millennium Theatre, and the Tanger Outlet Center.

Leisure & Recreation

Lancaster County offers a wide variety of cultural and recreational activities. Lancaster County Central Park, along the Conestoga River, is a major recreational area, with a swimming pool, a skate park, picnic facilities, tennis courts, baseball fields, camping facilities, nature trails and the services of a park naturalist, a Garden of Five Senses, and play areas for children.

Other county recreation areas include Chickies Rock, Money Rocks, Speedwell Forge County Parks, Conewago, Lancaster Junction, and Atglen-Susquehanna (recreation trails), Theodore Parker Natural Area, and the Mill Creek campground.

In addition to the county park system, the Lancaster County Conservancy maintains a system of twentyone nature preserves totaling more than 1,500 acres which are open for public use, recreation, and education.

The Lancaster Recreation Commission's professional staff administers summer playground recreation programs, boys' and girls' recreation clubs, basketball leagues, sports and crafts instruction, day camps, and related activities. Programs for adults include volleyball, basketball, and aerobic dance.

The county also contains numerous other parks, swimming pools, bowling centers, golf courses, a tennis and riding club, a bicycle club, skating rinks, and organized baseball for all ages, with a professional team, the Lancaster Barnstormers, scheduled to begin play in 2005.

SOCIAL FORCES

Population trends affect employment, retail spending, housing, bank deposits, and many other key demand parameters analyzed in determining real estate productivity. Population growth, stability or declines are strong indicators of real estate viability within an area. The following population and employment data represents historic trends, including the projected statistics for 2009 as projected by Claritas, Inc., are based on the 2000 Census data and utilize an urban Growth Simulation Model in conjunction with an extensive review process. The resulting projections are similar to projections prepared by Chase Econometrics and the U.S. Bureau of Census.

Population Profile

The 2000 Census for Lancaster County showed a population of 470,658, an increase of nearly 48,000 from the 1990 census. Based on population, Lancaster County has been classified by the state as a third class county (out of nine classes) since 1962.

With an increasing population has come the need for careful land management, and the county and most municipalities have development plans in place to try to balance the need for new facilities with the need to preserve the county's history and its beauty. Two volunteer organizations with those goals are the Historic Preservation Trust of Lancaster County, a nonprofit organization working to preserve the county's architectural heritage, and the Lancaster County Conservancy, a nonprofit land preservation organization which has preserved 2,738 acres of unique wild land such as the Ferncliff Wildflower and Wildlife Reserve in Drumore Township and the Tucquan Glen Nature Preserve in Martic Township.

The county's tradition of economic stability has continued, with agriculture, industry, and tourism all contributing to the overall strength of the economy.

Population

The subject is located in a one-county region known as the Lancaster Metropolitan Statistical Area (MSA) comprised of 60 separate townships. The population of the MSA has increased in the last decade, at a rate of 13.01% reflected in the addition of 63,224 persons during this time. Compared with the state's overall increase of 2.93% during the same time frame, the Lancaster MSA exhibited considerable growth. Projections for the next decade (2000-2010) for the MSA also reflect a continuing population influx. The MSA is projected to grow another 10.13% during this time horizon, while the state will grow by only 1.34% by 2010. The following is a summary table of population projections for the Lancaster MSA, as compared to the State of Pennsylvania.

PENNSYLVANIA POPULATION PROJECTIONS: 1990 - 2020										
AREA 1990 2000 2010 2020 1990-2000 2010 2020 2000-2010 2010										
STATE of PENNSYLVANIA	11,882,842	12,241,488	12,407,523	12,569,017	2.93%	1.34%	1.28%			
Lancaster MSA	422,822	486,046	540,823	597,975	13.01%	10.13%	9.56%			

Source: Pennsylvania State Data Center

Compiled By: Originators Resource Group, Inc.

Household Growth

Household growth statistics for the State of Pennsylvania and the Lancaster MSA are summarized as follows:

LANCASTER MSA HOUSEHOLD GROWTH STATISTICS									
% Change (Estimated) % Change (Projected) % Change County 1990 2000 90-00 2005 00-05 2010 05-10									
State of Pennsylvania	4,495,983	4,777,003	6.25%	4,836,825	1.25%	4,916,825	1.65%		
Lancaster MSA	422,822	470,658	11.31%	488,738	3.84%	508,166	3.98%		
Averages:	2,459,403	5,247,661	8.78%	2,662,782	2.55%	2,712,496	1.87%		

Source: Claritas, Inc. (US Breau of the Census 2000)

Compiled By: Originators Resource Group, Inc.

The growth in the number of households in the MSA has increased over the last decade in the Lancaster MSA. According to estimates from the U.S. Bureau of the Census, the number of households in the region grew by 18,080 from the 2000 Census to the 2005 estimate, an increase of 3.84%. Projections for 2010 for the Lancaster MSA region indicate continuing positive growth at a rate of 3.98% in the next five years.

ECONOMIC FORCES

Household Income

The Median and Average household, and Per-Capita income statistics for the State of Pennsylvania and the Lancaster MSA are summarized as follows.

It appears that the Lancaster MSA has median household incomes above the State's threshold of \$45,323 as of 2005. Over the past five-year period (2000-2005), the median household income for the MSA region has increased at a slightly lower rate relative to the State's, or by an average of 9.66% compared to the State's five-year increase of 11.78%.

LANCASTER MSA MEDIAN HOUSEHOLD INCOME									
County	2000 Median HH Inc.	2005 Median HH Inc.	Dollar Change	Percentage Change					
State of Pennsylvania	\$40,545	\$45,323	\$4,778	11.78%					
Lancaster MSA	\$45,842	\$50,271	\$4,429	9.66%					
Averages:	\$43,194	\$47,797	\$4,604	10.66%					

Source: US Breau of the Census 2000

Compiled By: Originators Resource Group, Inc.

Over the next five-year period, the median household income is projected to increase at a similar pace. The projected increase in Lancaster's median income is due in large part to its expanding population and economy, which is primarily driven by the agriculture and tourism sectors. The prospective economic recovery and new job creation in the region will help fuel employment growth, as well as increase median household income, throughout the Lancaster MSA.

LANCASTER MSA AVERAGE HOUSEHOLD INCOME									
County	2000 Average HH Inc.	2005 Average HH Inc.	Dollar Change	Percentage Change					
State of Pennsylvania	\$52,682	\$60,261	\$7,579	14.39%					
Lancaster MSA	\$54,889	\$61,879	\$6,990	12.73%					
Averages:	\$53,786	\$61,070	\$7,285	13.54%					

Source: US Breau of the Census 2000

Compiled By: Originators Resource Group, Inc.

Over the past five-year period (2000-2005), income growth in the subject's Lancaster MSA has risen in concert with the state's average. According to 2005 data provided by Claritas, Inc., the average household income in the Lancaster MSA was estimated to be \$61,879, a 12.73% increase over the 2000 figure of \$54,889. An analysis of household income ranges indicates that over 26.7% of Lancaster County MSA's households earn above \$75,000 with 13.83% earning above \$100,000. Additionally, the U.S. Department of Commerce determined that the 2000 per capita personal income for Lancaster County residents was slightly below the state level. Per capita personal income in 2005 was reported to be \$23,163 for Lancaster County MSA residents, 1.80% lower than the state level of \$24,047.

	LANCASTER MSA PER-CAPITA INCOME									
2000 2005 Dollar Percentage County Per-Capita Inc. Per-Capita Inc. Change Change										
State of Pennsylvania	\$20,880	\$24,047	\$3,167	15.17%						
Lancaster MSA	\$20,398	\$23,163	\$2,765	13.56%						
Averages:	\$20,639	\$23,605	\$2,966	14.37%						

Source: US Breau of the Census 2000

Compiled By: Originators Resource Group, Inc.

Unemployment Rate

Lancaster has had greater economic success than have other market areas in Pennsylvania during the economic downturn of the early 2000's. Over the most recent 12-month period ending August 2004, the unemployment rate for the area averaged 4.1 percent, compared to 5.8 percent for the entire state. Much of strength in the economy of the area can be attributed to Lancaster's diverse economy led by agriculture, manufacturing, trade, health care, and tourism.

A strong agricultural region, the Lancaster region leads the state in dairy production, and is home to 10 percent of all farms in Pennsylvania. The service sector is gaining jobs, while the manufacturing sector loses them. Comparing the most recent 12-month average ending August 2004 with the previous 12-month average, the service sector gained 3,200 jobs, while manufacturing lost 1,500 jobs. During the last year, the trade, transportation, and utilities sector, the largest service-providing sector with 49,700 employees, gained 1,000 jobs. Education and health services, the second largest service sector, employs approximately 29,300 people, 2.5 percent more than a year ago. With the aging population in the county, this sector will continue to grow in importance. According to the Economic Development Company of Lancaster County, the largest employers were Lancaster General Hospital, RR Donnelley, and Armstrong Holdings, which employed 5,221, 3,600, and 2,570 people respectively. Other top employers included the government, leisure and hospitality, and professional and business services

sectors, averaging 20,400, 19,900, and 18,900 respectively during the last 12 months. Despite job losses in recent years, the manufacturing sector still averaged 50,000 employees over the most recent 12-month period. In 2005, Penn-Mar Ethanol LLC is planning to construct a new \$80 million ethanol plant in Conoy Township, which will create an estimated 35 to 40 new jobs.

The region continues to grow as a bedroom community for several surrounding counties. According to the 1990 Census, net out-commutation from Lancaster was 6,000. By 2000, it had increased to approximately 7,000. The Corridor One project, a 41-mile, \$78 million, commuter rail project linking Lancaster to Mechanicsburg on the western side of Harrisburg, will enhance Lancaster's attractiveness as a bedroom community. Regular travel between Lancaster and Harrisburg is scheduled to begin in 2005. According to the Lancaster County Planning Commission, the stations in Elizabethtown Borough and Lancaster city will be redeveloped in 2004 and 2005 respectively. Mount Joy Borough and Paradise Township, which are on the Amtrak line to Philadelphia, will have new stations by 2006.

The economic diversification of Lancaster in recent years is one of the area's most significant assets. Diversification supports resistance to sharp economic recessions and allows quick responsiveness in periods of expansion. The following table illustrates the increases/decreases in employment growth in the Lancaster MSA between June 2004 and 2005. During this one-year period, total employment increased 0.59%, led by the *Construction & Mining* and *Leisure & Hospitality* sectors with 4.14% and 3.74% increases, respectively, in total employment. These two sectors represent 1,500 new jobs. All other sectors reflected employment increases during the last 12-month cycle, with the exception of the *Manufacturing*, and *Education & Health*. As is the case throughout the nation, local manufacturing jobs fell 2.16% during the last year, losing 1,000 jobs. The *Education & Health* sector also lost jobs (400 or -1.23%) in the last 12 month. The *Information* sector was flat in the last year. Within the 10 job sectors delineated in the chart below, the MSA had an overall increase of 1,400 jobs over the last 12 months.

Employment	Jun-04 %	of Total	Jun-05 %	of Total	% Change
Goods					•
Construction/Mining	16.9	7.2%	17.6	7.4%	4.14%
Manufacturing	46.4	19.7%	45.4	19.2%	-2.16%
Service					
Trade, Transp., & Util.	51.0	21.7%	51.3	21.7%	0.59%
Inform ation	4.0	1.7%	4.0	1.7%	0.00%
Financial Activities	10.2	4.3%	10.2	4.3%	0.00%
Prof. & Bus. Services	22.0	9.3%	22.4	9.5%	1.82%
Education & Health	32.4	13.8%	32.0	13.5%	-1.23%
Leisure & Hospitality	21.4	9.1%	22.2	9.4%	3.74%
Other Services	10.5	4.5%	10.6	4.5%	0.95%
Government	20.5	8.7%	21.0	8.9%	2.44%
Total Employment	235.3	100.0%	236.7	100.0%	0.59%

The following table presents the relative strength of the local employment market, comparing the historical unemployment rate of the metropolitan statistical area to that of the United States, the State of Pennsylvania, and the Lancaster MSA:

UNITED STATES – HISTORICAL UNEMPLOYMENT RATE										
1996 1997 1998 1999 2000 2001 2002 2003 2004 1-H 05										
5.4%	5.4% 4.7% 4.4% 4.0% 3.9% 5.7% 6.0% 5.7% 5.5% 5.0%									
	y: <i>Originator</i> S. Census Bu	rs Resource (reau	Group, Inc.							

	STATE OF PENNSYLVANIA – HISTORICAL UNEMPLOYMENT RATE										
1996	1996 1997 1998 1999 2000 2001 2002 2003 2004 1-H 05										
5.2%	5.2% 5.0% 4.5% 4.2% 4.2% 5.6% 5.9% 5.2% 6.3% 5.0%										
	y: Originator S. Census Bu	rs Resource (reau	Group, Inc.								

LANCASTER MSA – HISTORICAL UNEMPLOYMENT RATE										
1996 1997 1998 1999 2000 2001 2002 2003 2004 1-H 05										
3.4%	3.4% 2.9% 2.9% 2.7% 2.5% 3.2% 3.8% 4.0% 3.8% 4.0%									
	y: Originator S. Census Bu		Group, Inc.							

As of year-end 2004, the unadjusted rate of unemployment in the Lancaster MSA was 3.8%, which was far below the State's 6.3% unemployment rate as of the same time period. The MSA was also far better than the country, which had an unadjusted unemployment rate of 5.5% as of year-end 2004. Shown below are the most current unemployment rates for the nation, the state, and the MSA during the last year (June 2004 - 2005).

UNEMPLOYMENT TRENDS							
Jurisdiction	Jun-04	Jun-05	% Change				
United States	5.6%	5.0%	-10.71%				
Pennsylvania	5.5%	5.0%	-9.09%				
Pennsylvania Lancaster County	4.3%	4.0%	-6.98%				

Source: Bureau of Labor Statistics

Overall unemployment rates throughout the MSA have decreased during the past 12-month period. The unemployment rate in the MSA from June 2004 to 2005 decreased 6.98% from a rate of 4.4% in June 2004, to June 2005's rate of 4.0%. The June 2005 unemployment rate in Pennsylvania reflected a similar decrease in overall unemployment, falling by 9.09% during the last 12-month cycle from 5.5% to 5.0%. The nation's unemployment rate continued to show improvement, decreasing 10.71% during this period, dropping from 5.6% to 5.0% over the period from June 2004 to 2005. Some of the largest employers in the county, including number of employees, include:

TOP 25	EMPLOYERS – LANCASTER COUNTY
1	R.R. Donnelley & Sons Company
2	Lancaster General Hospital
3	Armstrong World Industries, Inc.
4	Lancaster County
5	Mutual Assistance Group
6	High Industries, Inc.
7	United States Government
8	New Holland North America, Inc.
9	Menheim Pennsylvania Auction Services, Inc.
10	Weis Markets, Inc.
11	Tyson Shared Services, Inc.
12	Lancaster School District
13	Dart Container Corporation
14	Masonic Homes
15	Interim Personnel
16	Ephrata Community Hospital, Inc.
17	State System of Higher Education
18	Cellular One Corporation
19	St. Joseph Hospital
20	Turkey Hill LP.
21	Supply Sales Company
22	Alumax Mill Products, Inc.
23	Pepperidge Farm, Inc.
	Pennsylvania State Government*
25	Warner-Lambert Company
Compiled by: O	riginators Resource Group, Inc.

TRANSPORTATION

Rail Service

Amtrak has operated passenger service between Philadelphia and Harrisburg through the County since 1971, via the Keystone Corridor. Amtrak's Chicago to New York City service passes through Lancaster. There are three Amtrak stations in Lancaster County located in the City of Lancaster, and in the boroughs of Mount Joy and Elizabethtown.

Freight rail is also available in the county. Norfolk Southern provides daily service to all points in Norfolk Southern service territory and to all connecting systems. Norfolk Southern is Lancaster's primary freight railroad. Penn Eastern Rail Lines, an Emons subsidiary, also runs through Lancaster County connecting with Norfolk Southern at Sinking Springs, Pennsylvania and terminating in Denver, Pennsylvania.

Bus Service

Commercial bus service in Lancaster is provided by the Red Rose Transit Authority. RRTA serves 2.5 million passengers over a sixteen-county route system to 37 municipalities, and connecting all towns to the City of Lancaster. Additionally, both Greyhound and Capitol Trailways provide bus service across the United States. A bus terminal is located at the Lancaster Train Station in the city of Lancaster.

Ports

The Port of Baltimore, located 67 miles south of Lancaster, is the closest Atlantic port to major population and manufacturing centers, with two-thirds of the U.S. consumer market within an overnight drive. The Port of Baltimore has over three dozen shipping lines making direct calls annually and connecting Baltimore with all ports around the world. In 1997, cargo increases across the public piers brought the total to 6.1 million tons. Foreign commerce in 1996 for public and private piers in Baltimore totaled 28.7 million tons, valued at \$19.4 billion. Baltimore is a Warehousing and Distribution hub, linked by superb north/south and east/west arterial connections. There are approximately 95 public warehouses with 70 million square feet of space in the greater Baltimore metropolitan area. Baltimore operates state-of-the-art terminals offering the latest in computerized cargo handling, exceptional crane productivity, and a highly trained labor force. The port's International Container Transfer Facility (ICTF), adjacent to Scagirt, moves cargo between bulkhead and railhead in record time. Rail links through the port to all terminals offer rapid connection throughout the U.S. and into Canada.

Airports

Lancaster Airport is conveniently located four miles north of Lancaster City on Route 501. The facility reported that 55,334 passengers were served in 1997. Passenger service to Philadelphia and Pittsburgh is provided by US Airway Express. These flights connect to over 150 destinations worldwide. Additional services and amenities include:

- Air cargo package service is available.
- Charter services are provided by Airways, Inc., Henry Weber Aircraft Distributors and VentureJets, Inc.
- Lancaster Airport offers free long and short term parking.
- There are over 175 corporate and general aviation aircraft based at Lancaster Airport.
- The Airport Layout and Development Plan is specifically designed to accommodate future corporate hanger growth. Harrisburg International Airport (HIA)
- HIA is located 30 miles northwest of the City of Lancaster. Travel time is 35 minutes.
- HIA is the largest commercial airport in south-central Pennsylvania.
- Major airlines with daily service include American, Delta, Northwest, United and US Airway.
- Regional commuters include Air Ontario, US Airway Express, and Continental.
- One and a half million passengers were served in 1997.

 Air cargo lines include American, Continental, Delta, Northwest, United, United Express, US Airway, Emery Worldwide, Airborne Express, Fed-X, and UPS.

Baltimore-Washington International Airport (BWI) is located 75 miles south of the County. Travel time is 90 minutes. This facility provides the following services:

- Passenger service is provided by 17 airlines, including Air Jamaica, Air Ontario, American Airlines, America West, British Airways, Continental, Delta, Icelandair, Ladeco, Laker Airways, Northwest, Southwest, TWA, United and USAir.
- More than 220,500 tons of cargo were moved in 1997.
- Air cargo service is provided by Airborne Freight Corporation, American International, Bak Global, DHL Lines, Emery Worldwide, Federal Express, and United Parcel Service.
- Air freight cartage, refrigeration, packing and crating, break bulk services, customhouse brokers and domestic and international air freight forwarding are provided. Service to foreign trade zones is also available. Government agencies, such as the Office of Export Licensing, U.S. Customs Service and USDA, have representatives at BWI.
- BWI is located within Lancaster's one-day truck delivery area.
- Over 14 million passengers were served in 1997.

Philadelphia International is located 64 miles east of the County. Passenger service is provided by 25 airlines, including American, British Airways Continental, Delta, Midwest Express, Northwest, Swissair, TWA, United, USAir, Air Canada, Air Jamaica, America West, and Midway Airlines. Cargo carriers, which include Aero Taxi, Airborne Express, Billington Express, CS Air Freight, DHL Worldwide, Emery Air Freight, Federal Express, United Parcel Service and Zantop, offer direct access to the national and international air transportation network. The east coast Hub for UPS is located here.

- Direct flights are provided to more than 100 national and international destinations.
- 19.3 million passengers were served in 1996.
- Service is provided to three foreign trade zones and approximately 150 cities in the United States, Canada, Europe and the Caribbean.
- More than 544,000 tons of cargo was moved in 1996.

CONCLUSION

The Lancaster County economy, characterized by agriculture, manufacturing, and service-providing industries, continues to outperform most market areas in the state. Lancaster County is the largest dairy producer in the state, and the local government has made the conservation of farmland and open space a top priority.

As the region attracts more elderly residents to its retirement communities, the healthcare industry will continue to grow. The trade, transportation, and utilities sector also will remain important because of the region's ideal location between Philadelphia, Baltimore, and Harrisburg.

The rates of population and household growth in recent years have declined compared with the rates during the 1990s, but are expected to remain constant during the next 2 years. Lancaster city continues to lose households, but the recent development of a minor league baseball stadium and the Lancaster County Convention Center is expected to help revitalize the downtown area.

Demand for owner housing has slightly outpaced production, causing vacancy rates to decline from their 2000 level. Renter vacancy rates have remained relatively stable since 2000. It is estimated that there will be demand in the county for approximately 3,690 units of new sales housing and 670 additional rental units over the 2-year forecast period.

OFFICE MARKET ANALYSIS

An overview of regional and local market conditions is a necessary aspect of the appraisal process. The market analysis forms a basis for assessing market area boundaries, supply and demand factors, and indications of financial feasibility.

The first step in analyzing an asset is to determine what grade of an asset it is so as to be able to analyze it against its peers. The following discussion addresses the subject's building class.

Competitive Market Analysis

Office markets are typically segregated by asset class, including primary (Class A), secondary (Class B), and tertiary (Class C) buildings. Comparisons are typically made to the overall market and then to the sub-market, as it pertain to the subject's building class. There are many sources of market information, which are generally published on a quarterly, semi-annual, and annual basis, by the larger full-service real estate firms. In the case of the subject's sub-market, Torto-Wheaton Research and Cushman & Wakefield both publish market reports for the subject's market. Furthermore, services like *CoStar* track buildings and their respective occupancy statistics.

For the purposes of this analysis, we have graded the subject property an urban Class A office building by virtue of its tenancy, functional utility, age, size, quality/condition, income and occupancy characteristics, and its location. Our reasoning is presented below:

Tenant Appeal

The building's tenant roster is primarily comprised of non-credit tenants. Consequently, the subject is considered a Class B asset in terms of tenant appeal.

Functional Utility

The subject does not possess the additional amenities a true Class A property would have such as a cafeteria, a health club, indoor parking, atrium/common area, etc. Therefore, the subject is considered a Class B asset in terms of functional utility.

Age

The subject represents functional office buildings, reportedly built in 1972. By virtue of its age and conversion status, the subject is considered a Class B asset.

Size

The subject is a relatively moderately-sized building within the competitive market that offers most of the amenities of a Class A asset; therefore, the subject is considered a Class A building by virtue of its size.

Quality/Condition

The subject's overall quality and condition are considered good: the subject is considered a Class A asset.

Income/Occupancy Characteristics

The subject has a current occupancy of 100.00% and its income characteristics indicated a projected (net operating income per square foot (NOI/SF) of \$10.46/SF, as stabilized. An NOI/SF at this level coincides with a Class A asset in the subject's market whereas a true Class A asset in the subject's market will typically achieve an NOI/SF in the \$15.00/SF-to-\$20.00/SF range. Therefore, in terms of its income characteristics, the subject is considered a Class B asset.

Location

The first rule of real estate is "location, location, location". The subject is located off of a stable commercial corridor in eastern Pennsylvania and situated off of a primary commercial local roadway, Harrisburg Turnpike. The subject also has good access and visibility. By virtue of its location characteristics near a primary road, and not in a corporate campus setting, the subject is considered a Class A asset.

Given the aforementioned discussion, we have concluded that the subject is a Class B asset.

According to the 4th quarter of 2004, report from Korpacz Real Estate Investor Survey, published by Price Waterhouse Coopers, the national suburban office market category is described as:

"Likes its CBD, the national suburban office market also continues to show signs of a slow moving recovery. In the last four quarters, the overall vacancy rate steadily dipped from 21.2% in the 3rd quarter 2003 to 19.7% in 3rd quarter 2004, according to Cushman and Wakefield. Although many buyers of suburban office buildings continue to look for stable properties with limited near-term leasing risk in favorable markets, high prices and strong competition are turning other investors towards less stable assets and/or second and third tier cities."

"Even though a hefty number of suburban office markets are still saturated with available space, this sector experiences record sales activity in the third quarter of 2004. Overall a total of 548 suburban office properties were sold in that quarter, an 82% increase from a year earlier, according to real Capital Analytics, Inc. During the first 9 months of 2004, a total f 1,264 properties were sold, a 48.0% increase from a year earlier."

All Key indicators changed this quarter. The average discount rate (IRR) ranges from 8% to 12.5% with an average of 10.21%. The average overall capitalization rate (OAR) ranges from 6.5% to 10.5%, with an average of 8.73%.

In January 2005, the Lancaster County Association of Realtors conducted a market survey of office, industrial and retail buildings within the Lancaster County area. Of the 62 total office buildings survey, 53 buildings are in the "Office Suburban" market of Lancaster County. Office suburban markets are markets located outside of the central business district. The subject property, 3050 Hempland Road, is a Class B property located within the "Office Suburban" market of Lancaster County. Within the Lancaster County general office market, a total of 44 Class B office buildings were surveyed demonstrating a total of 634,662± square feet of office space within the office buildings with a vacant area of 87,540± square feet, or 14%. Rents in the surveyed properties ranged from \$10.84/SF to \$14.20/SF with varying lease structures. This information is deemed accurate as reported; however, due to the small sampling size, it may not be representative of the entire market. The difference between the overall surveyed market and the subject's immediate submarket is presented below

Property Types	#Surveyed Buildings	Surveyed SF Inventory	Available SF			Net Absorption Oc. 7/1/04 - 1/1/05		Base Rent \$/SF		Gross Rent w/o Utilities \$/SF		Gross Rent w/ Utilities \$/SF	
-,,,					Gir mair b	%		# Prop.	Avg.	#Prop.	Avg.	#Prop.	Avg.
Industrial City	15/15/15			Maria de la companya	11051	2000	11000		100000				
Clase A	1	48,000	5,000	41,000	41,000	89.1	89%	1	\$3.25*				
Class B	3	595,000	200,300	394,700	0	0	88%	3	\$3.46 •				- 1
Industrial Suburban													
Class A	45	3,051,998	267,594	2,784,404	0	0	91%	45	\$4.17				
Class B	39	1,801,158	303,093	1,498,063	17,000	16.3	83%	37	\$3.70	2	\$4.89*		
Flex/R&D	17	894,881	66,257	828,404	0	0	92%	. 17	\$6.89				
Office City				1000				V Tell	100			0.156	100
Class A	1	51,500	20,000	31,500	10,400	34.2	61%					1	\$15.00
Class B	8	449,716	171,430	278,286	0	0	81%	6	\$7.83	2	\$9.56*		
Office Suburban	A 15 2 37												
Class A	9	276,888	75,934	200,934	11,311	84.7	72%	4	\$14.63*			5	\$18.30
Class B	44	634,622	87,540	547,082	6,000	11.3	86%	25	\$10.84	13	\$14,20	6	\$13.65
Roteil	201223									SEC.			
Retail Freestanding	17	81,306	9,900	71,406	-6,100	-61.6	87%	7	\$11.12	8	\$12.08	2	\$5.22
Shopping Center Anchored	29	5,392,643	312,005	5,080,63B	-56,719	-22.2	94%	29	\$19.24				_
7110110100						29.7	95%	23	\$13.26	١, ١	\$12.38*		l

SUB-MARKET INVENTORY & VACANCY RATE SURVEY							
# Location	Age	GLA	Vacant GLA	% Vacant			
1 1725 Oregon Pike	1986	20,121	0	0.00%			
2 1755 Oregon Pike	1986	10,219	0	0.00%			
3 120 North Pointe Boulevard, Lancaster, PA	2000	31,180	0	0.00%			
4 160 North Pointe Boulevard, Lancaster, PA	1995	50,000	0	0.00%			
5 810 Plaza Boulevard, Lancaster, PA	1979	30,129	0	0.00%			
6 1027 Dillerville Road, Lancaster, PA	1979	28,000	3,640	13.00%			
Totals / Averages	1983	169,649	3,640	2.15%			

Compiled By: Originators Resource Group, Inc.

Vacancy

In order to determine the balance of supply and demand, the appraiser surveyed the immediate and surrounding neighborhood's high-caliber office properties. The focus of this survey is to identify competitive or potentially competitive properties with similar locational attributes compared to the subject site. Several Class B office buildings less than 75,000 square feet are also within the subject neighborhood. These facilities cater to small tenants with minimal parking requirements, a majority of which are professionals.

The preceding analysis indicates that there are a total of 6 major office properties located in the subject property's sub-market. Currently, there are a total of 169,649± square feet of office space within the office buildings with a vacant area of 3,640± square feet, or 2.15%. With a 2.0%± vacancy rate in the immediate sub-market, we can conclude that the subject's market is very stable and would be considered strong.

Employment

The U.S. economy added more than 2 million jobs in 2004 lowering the national unemployment rate to 5.4% from its peak level of 6.3% in June of 2003. The unemployment rate in Pennsylvania mirrors the national level, while New Jersey and Delaware outperform the national labor market with 4.4% and 4.0% unemployment rates, respectively. Recent unemployment increases in Pennsylvania are largely due to layoffs in the manufacturing and government sectors.

Investment Considerations

The typical purchaser of a property like the subject would likely be a local investor as opposed to a national or international institutional investor (i.e. pension funds, real estate investment trusts (R.E.I.T.), or insurance companies). From speaking with several real estate professionals active in the region, there appears to strong interest in stabilized (leased) properties by credit tenants. The subject fits into this category and is thus considered to have an above-average marketability.

Recent Sales Activity

In addition to researching and collection market rent terms and parameters, we also researched the regional market for recent sales of properties similar to the subject. Through our research, the most comparable transactions were selected for comparison purposes. The comparables included in our analysis transferred over the recent past and have sold with marketing periods as short as six months. This recent sales activity in the subject's market indicates that the subject is marketable. Additionally, recent trends indicate that with the improving economic conditions, IRRs and overall rates have been decreasing. Prices per square foot tend to be very dependent on location and have generally been increasing over the recent. The sales ranged in unit indicators as follows:

INVESTMENT CRITERIA	RANGE
Gross Income Multipliers (GIM's):	N/A
Mean GIM:	N/A
Overall Rates (OAR's):	7.50% to 8.97%
Mean OAR:	8.27%
Price/SF of Building Area:	\$80.92/SF to \$182.69/SF
Mean Price/SF:	\$123.62/SF

KEY MARKET TERM COMPARISONS

In addition to the aforementioned sales investment parameters, a comparison from 3-5 years ago to present, of the key market terms that prevail in the subject's competitive market are outlined below:

KEY MARKET TERMS						
Market Term	3-5 Years Ago	Current Market				
Base Rent:	\$10.00/SF - \$12.00/SF	\$13.00/SF to \$14.50/SF+				
Free Rent Concessions:	3-6 Months	0-2 Months				
Lease Term:	3-5 Years	Same				
Downtime Between Leases:	6-12 Months	4-8 Months				
Operating Expense Recaptures:	Modified Net*	Same				
Tenant Work Letters:	\$0.00/SF - \$35.00/SF	Same				
Investment Yields:	11.0% - 15.00%	10.0% - 12.00%				
Overall Capitalization Rates:	10.50% - 13.50%	7.0% to 9.0%				
Terminal Capitalization Rates:	11.50% - 13.50%	8.50% - 10.00%				
* Taxes over a base year amount, plus tena	nt electric.					
Compiled By: Originators Resource Group, Inc.						

CONCLUSION

The Metro Lancaster, Pennsylvania office market has witnessed steady recovery with decreasing vacancy rates and increased demand and rental rates over the past two years. Since 2003, office vacancy rates in the state of Pennsylvania have decreased. Torto Wheaton Research estimates that employment will continue to improve which will lead to an increase in demand for office space in the market. Based on key economic indicators, we estimate that both the short- and long-term prospects for the subject's office sub-market are positive.

The subject property is a Class B office building that is currently in good condition. The subject is currently 100.0% occupied by a non-credit tenant. With effective management, the subject should continue operating on a stabilized basis.

NEIGHBORHOOD INFLUENCES

Location

The subject property is located approximately 4.0 miles west of the Lancaster CBD, 18 miles northeast of York, and 30 miles southeast of Harrisburg. The property is in the jurisdiction of the Township of East Hempfield, Borough of Lancaster, Lancaster County, Pennsylvania. A neighborhood map is presented below.



Boundaries & Adjacent Properties

The immediate neighborhood boundaries and surrounding properties/streets are as follows:

	<u>Boundaries</u>	Adjacent Properties & Streets
- North	Lebanon County/Dauphin County	Single Family Residences/schools/golf course
- South	Manheim/East Hempfield Townships	1-story Commercial Facility
- East	Chester County/Berks County	1-story Commercial Facility
- West	W. Hempfield/Rapho Townships	1-story Commercial Facility

Lancaster, Pennsylvania

East Hempfield Township and the Borough of Lancaster are located in Lancaster County. Lancaster is the county seat of Lancaster County, Pennsylvania, as such it is both a borough and a township Geographically, the borough has a total area of 7.4 square miles, 98.86% of which is allocated to land. The land is mostly flat, characteristic of the area. The city is located about 70 miles west of Philadelphia and 87 miles north of Washington D.C.

As of Census 2000, there are 56,348 people, 20,933 households, and 12,162 families residing in the city. The population density is 7,614.6 persons per square mile. There are 23,024 housing units at an average density of 3,112/1 per square mile.

Of the 20,933 households, 31.6% have children under the age of 18 living with them, 33.4% are married couples living together, 19.0% have a female householder with no husband present, and 41.9% are non-families. Furthermore, 33.1% of all households are made up of individuals and 9.9% have someone living alone who is 65 years of age or older. The average household size is 2.52 and the average family size is 3.23.

In the borough the population is spread out with 27.5% under the age of 18, 13.9% from 18 to 24, 30.5% from 25 to 44, 17.7% from 45 to 64, and 10.5% who are 65 years of age or older. The median age is 30 years.

The median income for a household in the borough is \$28,770, and the median income for a family is \$34,673. The per capita income for the borough is \$13,955. In terms of poverty, 21.2% of the population and 17.9% of families are below the poverty line. Out of the total population, 29.2% of those under the age of 18 and 12.9% of those 65 and older are living below the poverty line.

Land Use

The subject property's immediate neighborhood reflects a generally suburban/rural area. The subject property is surrounded on all similar style one-story office buildings. In addition to the office development, a majority of the land in the vicinity is used for the area's transportation infrastructure, community services, as scattered residential development. To the north of the subject, across Route 30, is vacant land. Approximately ¼ mile south of the subject site is an active railroad. The subject site is further buffered by large vacant land tracts within a mile radius of the subject property. Appreciable commercial developments are located US 30, to the northeast of the subject property, back toward the Lancaster Central Business District. The nearest (and largest) shopping facility along this arterial is the Park City Center, located on the northeast corner of Harrisburg Turnpike and US 30, 3 miles from the subject property.

The Lancaster CBD, located approximately three miles northeast of the subject site, can best be described as the local commercial center. The land use pattern within Lancaster comprises a typical blend of office, industrial, and commercial uses. Residential uses are generally located off side streets within the district, and include a predominance of single-family homes. Detached single-family dwellings consisting of mainly older construction characterize residential development in Lancaster. Homes in the Lancaster area are generally well maintained, indicating a certain pride of ownership. Predominant home values range from \$75,000 to \$200,000.

Commercial land uses are mostly found along secondary arterials such as Harrisburg Turnpike, Manheim Pike, Lilitz Pike, as well as US 30 and other arterial roadways. The success of these corridors is attributed to their good traffic flow and visibility. These corridors are developed mostly with commercial uses, namely restaurants, shopping centers and office buildings. Lancaster's CBD is an established retail/commercial district with numerous developed retail/commercial sites in the area.

Neighborhood Influences

There are no known nuisances, hazards, or other adverse influences within the neighborhood or immediate surrounding area. As discussed, commercial development is generally located along the secondary traffic arteries leading northeast toward the Lancaster Central Business District. As noted, the subject's surrounding neighborhood consists primarily of single-family/multi-family residential homes, vacant or agricultural land, and 1-story commercial uses. Although the subject site abuts US 30 along the north side of the site, the subject's current occupancy rate is 100% suggests that the site's location along a secondary traffic arterial is not a nuisance and has no effect on the subject's ability to attract and maintain tenants.

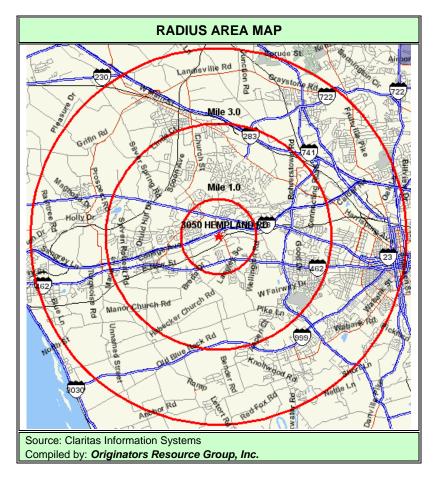
Demographics

Selected neighborhood demographics in the subject's radius are shown below:

ZIP CODE DEMOGRAPHIC SURVEY						
CATEGORY	RADIUS FROM SUBJECT 1.0 Miles 3.0 Miles 5.0 Miles					
Population 2010 Projection 2005 Estimate 2000 Census 1990 Census Growth 1990-2000	4,586	41,227	119,086			
	4,348	39,167	116,181			
	4,138	37,179	113,943			
	3,582	31,728	105,352			
	15.52%	17.18%	8.15%			
Households 2010 Projection 2005 Estimate 2000 Census 1990 Census Growth 2005-2010 Growth 2000-2005 Growth 1990-2000	1,920	16,894	46,668			
	1,787	15,811	45,371			
	1,661	14,740	44,185			
	1,421	12,015	39,913			
	7.44%	6.85%	2.86%			
	7.59%	7.27%	2.68%			
	16.89%	22.68%	10.70%			
2005 Est. Households by HH Income Income Less than \$15,000 Income \$15,000 - \$24,999 Income \$25,000 - \$34,999 Income \$35,000 - \$49,999 Income \$50,000 - \$74,999 Income \$75,000 - \$99,999 Income \$100,000 - \$149,999 Income \$150,000 - \$249,999 Income \$250,000 - \$499,999 Income \$500,000 and over Total No. HH \$50,000 - \$99,999 Percentage of HH \$50,000 + \$99,999 Total No. HH \$100,000+ Percentage of HH \$100,000+	1,787	15,811	45,371			
	108	1,077	5,190			
	172	1,366	5,039			
	227	1,773	5,637			
	261	2,676	8,234			
	400	3,681	9,620			
	269	2,280	5,383			
	223	1,889	4,196			
	100	797	1,590			
	23	204	374			
	4	68	107			
	669	5,961	15,003			
	37.4%	37.7%	33.1%			
	350	2,958	6,267			
	19.6%	18.7%	13.8%			
2005 Est. Average Household Income	\$71,052	\$71,055	\$60,253			
2005 Est. Median Household Income	\$57,855	\$56,885	\$47,422			
2005 Est. Per Capita Income	\$29,357	\$28,972	\$23,946			

Souce: Claritas, Inc.

The immediate neighborhood (1.0 mile radius) currently has a middle-income demographic profile with a median household income of \$57,855. The outlook for the neighborhood is for relatively moderate growth with continued improvement over the next several years. As a result, the demand for existing developments is expected to continue to improve.



Transportation

The subject property is located in a suburban bedroom community. Consequently, public transportation is readily available via taxi cabs. Interstate transportation access is superior to the subject site. The nearest interstate arterials are I-76 and I-83, located approximately 12 miles north and 19 miles west of the subject property, respectively. Access to the interstate is via secondary local arterials. Primary access to the location is via US 30 and US 220, both of which provide access to areas throughout Pennsylvania.

Utilities

Utilities available to the neighborhood include water, sewer, electric, natural gas and local as well as long distance telephone services. Services are readily accessible at reasonable cost to most sites within the neighborhood. Additional public services available include police and fire protection and water and sewer service from municipal sources.

Education, Worship, & Recreation

Support facilities are located throughout the neighborhood. Public education and higher education is available at a multitude of locations within commuting distance of the subject neighborhood. Several places of worship are located within the neighborhood as several denominations are represented. In addition, civic, recreational and cultural facilities are also readily accessible. There are several recreational facilities within a few miles of the neighborhood.

Conclusion

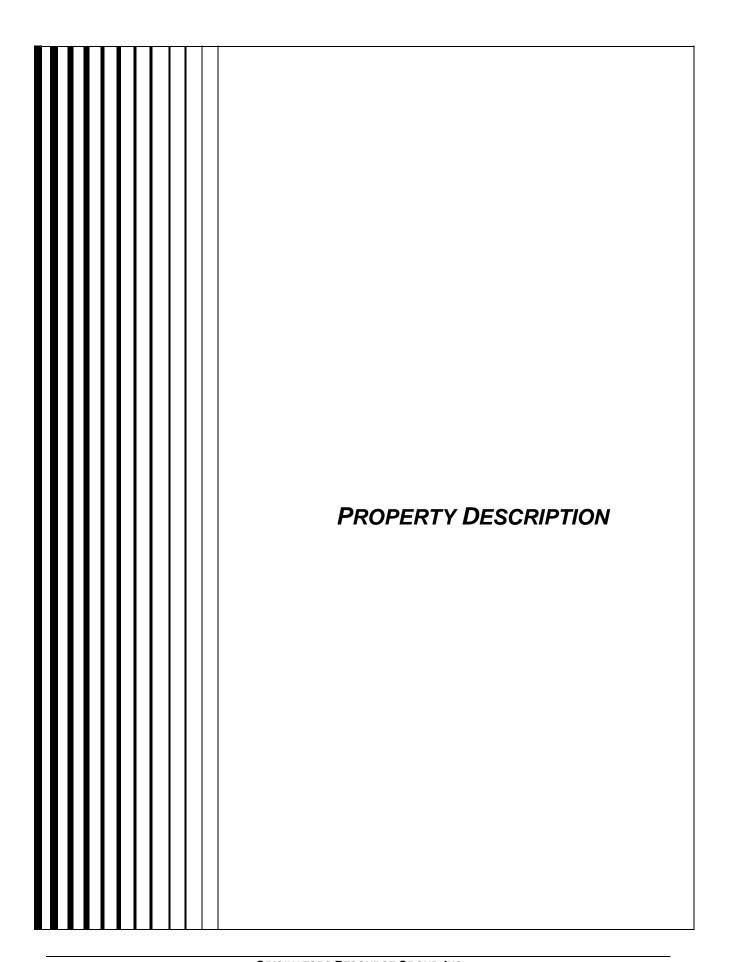
The subject property is situated along the south side of US 30, approximately 5 miles west of the City of Lancaster CBD, in East Hempfield Township, Lancaster County, Pennsylvania. Overall, population, income, and the number of households in the Lancaster area are expected to grow significantly in the next decade. Recently, population growth and attendant residential and commercial real estate development relative to servicing the population has been generally stable.

NEIGHBORHOOD INFLUENCES

A network of state and local roadways links the area to most regional destinations. The land uses surrounding the subject property and influencing the subject are mostly agricultural uses, and complement the subject's current use. Assuming continued strength in the national and regional economies, combined with the expected growth of the local population, it is considered likely that property values at this location will remain stable, if not increase at a modest rate in the foreseeable future.

Lancaster is a desirable, predominately residential suburban/rural/agricultural community which has experienced nominal development and population growth over the past 10 years. However, given the subject's proximity to several CBD's (Baltimore, Harrisburg, Lancaster, Philadelphia, York, and Washington, DC), its good transportation routes, and its overall quality of life, this trend is expected to improve in the near-term.

The outlook for the neighborhood is for stable to moderately increasing performance over the next several years. As a result, the demand for existing developments is expected to increase at a similar rate. Generally, the neighborhood is expected to reflect moderate growth in the foreseeable future.



SITE ANALYSIS

The description of the site can be detailed as follows:

Location: The subject property is located at 3050 Hempland Road, Lancaster,

Lancaster County, Pennsylvania 17601

Parcel Number: 290-95687, 290-75280, & 290-08331

Land Area 114,998± square feet, 7.06± acres

Shape and Frontage: The site is irregularly shaped with 570' linear feet of frontage on US 30.

Ingress / Egress: Ingress and egress is available via curbs cuts along US 30.

Topography and

Drainage:

The site is generally level at street grade. Our investigation did not reveal

any significant drainage problems.

Soils: A soil analysis for the site has not been provided for the preparation of this

appraisal. In the absence of a soil report, it is a specific assumption that

the site has adequate soils to support the highest and best use.

Easements: No title report was provided in connection with this appraisal. The survey

provided did not reveal any unusual or adverse easements. It is specifically assumed that any easements, restrictions or encroachments that might appear against the title would have no adverse impact on

marketability or value.

Covenants, Conditions,

and Restrictions:

There are no known covenants, conditions and restrictions impacting the site that are considered to affect the marketability or highest and best use, other

than zoning restrictions.

Utilities: The site is serviced by all public utilities in sufficient capacity for its existing

use. Utilities do not limit the current use of the site.

Environmental Issues: The value estimate rendered in this report is predicated on the assumption

there is no hazardous material on or in the property that would cause a loss in value. No evidence of hazardous waste or toxic materials was visible. *Originators Resource Group, Inc.* has no knowledge of the existence of these substances on or in the subject property. However, *Originators Resource*

Group, Inc. is not qualified to detect hazardous waste or toxic materials.

Adjacent Properties:

- North Single Family Residences/schools/golf course

South 1-story Commercial Facility
 East 1-story Commercial Facility
 West 1-story Commercial Facility

Parking: Ample parking is available at the subject's location.

Flood Zone: According to maps published by the Federal Emergency Management Agency

(FEMA), the subjects lie within Zone **X.** ¹ (Federal Emergency Management Agency, *Flood Insurance Rate Map*, Community Panel Number #42071C0342E, 4/19/05). See the flood zone classifications presented below:

Conclusion: The subject site includes a total of 114,998± square feet (7.06± acres) and is

served by all necessary utilities. Access, as well as visibility and exposure, appear to be good. There are no adverse soils, conditions of which *Originators Resource Group, Inc.* is aware. The shape of the parcel is irregular. The topography is generally slopes upwards from street grade and posses no

specific development limitation. In conclusion, from a physical standpoint, the site is considered adequate for many types of development. The subject site is suitable for its present use as office facility.

Zone AE: 100-year flood plain with base flood elevations determined.

Zone AH: 100-year flood plain with flood depths of 1-3 feet (usually sheet flow on sloping terrain); average depths determined. For areas of alluvial fan flooding, velocities also determined.

Zone AO: 100-year flood plain with flood depths of 1-3 feet (usually areas of ponding); base flood elevations determined.

Zone A99: Areas to be protected from 100-year flood by Federal flood protection system under construction; no base elevations determined.

Zone C: 500-year flood plain: This area has been identified in the community flood insurance study as an area of moderate or minimal hazard from the principal source of flood in the area. However, buildings in this zone could be flooded by severe, concentrated rainfall coupled with inadequate local drainage systems. Local storm water drainage systems are not normally considered in the community's Flood Insurance Study. The failure of a local drainage system creates areas of high flood risk within this rate zone.

Zone D: Areas in which flood hazards are undetermined.

Zone V: Coastal flood with velocity hazard (wave action); no base flood elevations determined.

Zone VE: Coastal flood with velocity hazard (wave action); base flood elevations determined.

Zone X: Areas of 500-year flood; areas of 100-year flood with average depths of less than one foot or with drainage areas less than one square mile; and areas protected by levees from 100-year flood.

(Source: Federal Emergency Management Agency (FEMA))

¹ **Zone A:** 100-year flood plain with no base flood elevations determined.

IMPROVEMENT ANALYSIS

The subject of this report, 3050 Hempland Road, is located on the south side of Hempland Road in Lancaster, Lancaster County, Pennsylvania. This one-story professional office building was built in 1972 and contains an aggregate 53,207 square feet of gross building area. Net rentable area is the same. The structure sits on an irregular shaped site containing an aggregate 114,998± square feet (7.06± acres). The building is 100.0% leased by one tenant, and was in good condition as of our inspection date. The basic construction features and description of the improvements are summarized as follows.

Construction Class The class of construction is the basic subdivision in Marshall Valuation

Service², dividing all buildings into five basic groups by type of framing (supporting columns and beams), walls, floors, roof structure, and

fireproofing. The subject is construction Class C.

Competitive Rating The subject is considered a Class **B** building in terms of quality as it is

perceived in the marketplace.

Size 53,207± square feet GBA

Foundation Reinforced Steel Concrete

Frame Steel

Floor Construction Reinforced Concrete

Exterior Walls Brick. Windows are double-pane aluminum frame windows.

Roof Cover The roof is flat with a rubberized membrane covering.

Exterior Condition Good

Interior Areas Interior finishes include tiled floors, painted and/or papered sheetrock walls,

as well as drop acoustic tiled ceilings. Lighting is provided for by fluorescent

lighting panels.

Interior Condition The interior of the building has been adequately updated and maintained,

exhibiting a program of on-going maintenance. Overall condition of the

office space is rated good.

Heating Heating is provided for via gas fired boiler. Air conditioning is provided for

separate units.

Elevator(s) There are no elevators located at the subject property.

²Class A buildings are characterized by a fireproofed structural steel frame, which may be welded, bolted, or riveted together. The fireproofing may be masonry, poured concrete, plaster, sprayed fiber, or any other type which will give a high fire-resistant rating.

Class B buildings are characterized by a reinforced concrete frame in which the columns and beams can be either formed or precast concrete. They may be mechanically stressed, and the structure is fire resistant.

Class C buildings are characterized by masonry or reinforced concrete (including tilt-up) construction. The walls may be load-bearing, i.e., supporting roof and upper floor loads, or nonbearing with open concrete, steel, or wood columns, bents, or arches supporting the load.

Class D buildings are characterized by combustible construction. The exterior walls may be made up of closely spaced wood or steel studs as in the case of a typical frame house, with an exterior covering of wood siding, shingles, stucco, brick, stone veneer, or other materials. Otherwise they may consist of an open skeleton wood frame on which some form of curtain wall is applied, including pre-engineered pole buildings.

Class S buildings are characterized by incombustible construction and prefabricated structural members. The exterior walls may be steel studs or an open steel skeleton frame with exterior single or sandwich wall coverings consisting of prefabricated or sheet siding.

(Source: Marshall Valuation Service, August 1992, \$1, p. 5-5.)

IMPROVEMENT ANALYSIS

Stairwells There are no stairwells located at the subject property.

Electrical The electrical system is assumed to be in good working order and adequate

for the building.

Fire Protection The subject building is fire sprinklered. It is assumed that the subject has

adequate fire alarm systems, fire exits, fire extinguishers, fire escapes and/or other fire protection measures adequate to meet local Fire Marshal

requirements.

The subject is equipped with a fire alarm. Additional security was not Life Safety & Security

evident.

Plumbing Galvanized and copper pipes; the plumbing system is assumed to be in

good operating condition.

Approximately 300 on-site parking spaces are available. **Parking**

Handicap access does appear to be available to all areas of the building. ADA Compliance

However, we are not qualified to determine compliance with the requirements. Please refer to the specific limiting conditions regarding ADA

compliance.

Environmental Issues The value estimate rendered in this report is predicated on the assumption

> that there is no hazardous material on or in the improvements, causing a loss in value. No evidence of hazardous waste or toxic materials was visible. We have no knowledge of the existence of these substances on or in the subject improvements. However, we are not qualified to detect

hazardous waste or toxic materials.

Deferred Maintenance The subject improvements were built circa 1972 and are currently

> considered to be in good condition. It appears that ongoing maintenance of the property has been conducted, and there were no major deferred

maintenance items noted or reported.

Capital Improvements There have been several capital improvements over the past few years

which have prolonged the economic life of the subject.

Quality &

The subject property conforms well to the other Class B competitors and **General Condition** substitutes throughout the area and Lancaster County. Relative quality of

construction is good.

Interior amenities are comparable to competing properties of the same Structural Integrity

> approximate age. We observed no evidence of structural fatigue and the improvements appear sound. We are not qualified to determine structural integrity; however, and recommend the reader rely upon an expert in this

field for further determination.

Conclusion/Comments The improvements are in good condition, and the subject is regarded as a

desirable property in this immediate market area due to its good location

and good condition.

ZONING

The subject is zoned I-2 -"General Industrial" District. The bulk requirements for this zone are detailed below:

ZONING SUMMARY

Current zoning: I-2 General Industrial District

Legally conforming: Yes

Permitted Uses: In this district, permitted uses by right include various general/light

industrial uses, office machine shops, etc.

Special Exemption Uses: N/A

Zoning change Not likely

CategoryZoning RequirementMinimum Lot Size:1 Acre (43,560 SF)

Max. Lot Coverage (Impervious Surfaces): 70.0% Minimum Building Footprint: None Specified Maximum # of Units/Lot: None Specified Minimum Lot Width: 200 Feet Minimum Front Setback: 50 Feet 25 Feet Minimum Side Yard: Minimum Rear Yard: 35 feet Height Limit: 35 feet Parking Requirements: None Specified

* Floor Area ratio (FAR) is the total floor area on a zoning lot divided by the area of that zoning lot. Each zoning district classification contains an FAR control which, when multiplied by the lot area of the zoning lot, produces the maximum floor area allowable on such lot.

ZONING ANALYSIS AND CONCLUSIONS

Our discussions with a representative of the Lancaster Building Department indicated that the subject's current use as an office building is considered a legally non-conforming property for the current zoning regulations based upon its current use.

We know of no deed restrictions, private or public, which limit the subject property's use. The research required to determine whether or not such restrictions exist, however, is beyond the scope of this appraisal assignment. Deed restrictions are a legal matter and only a title examination by an attorney or title company can usually uncover such restrictive covenants. Thus, we recommend a title search to determine if any such restrictions do exist.

TAX AND ASSESSMENT DATA

The subject property is assessed and taxed by Lancaster on an ad valorem basis and is identified as 290-95687, 290-75280, & 290-08331. The current tax rate for the subject property is \$18.141, and assessed per \$1,000 of assessed value. The subject's current real estate tax liability is calculated below:

CURRENT ASSESSMENT & TAX INFORMATION						
Land Assessment: Building Assessment:		\$216,500 \$2,194,800				
Total Assessment: \$2,411,300						
Net Rentable Area:		53,207				
Assessment Total Assessment: X Tax Rate Per:	\$1,000	Total Assessment \$2,411,300 \$30.012				
Total Tax Liability: Total Tax Liability/SF:		\$70,921 \$1.33				

Compiled By: Originators Resource Group, Inc.

Leases in this market are typically structured where tenants are responsible for increases in real estate taxes over a specified base year amount. Specific amounts in increases over base years for tenants are set by individual leases. In the subject's case, leases are structured on a Triple Net (NNN) basis, whereas each tenant pays a 100% of the real estate taxes, while the owner pays none. Future tenants are anticipated to pay a portion of the real estate taxes. At present, the tenant is directly billed for real estate taxes and is required to provide landlord with documentation of the paid taxes. As such, real estate taxes were not included in our expense summary.

TAX AND ASSESSMENT CONCLUSION

Given our discussions with Lancaster's Finance Department, we expect tax rates to remain relatively consistent with previous years over the short term. Note that the net affect to the overall tax burden for the subject property, assuming a coinciding increase in the applicable tax assessment, would be an annually compounded growth rate of approximately 3.0% coinciding with inflation. *Originators Resource Group, Inc.* assumes that all taxes are current.

HIGHEST AND BEST USE

In appraisal practice, the concept of highest and best use represents the premise upon which value is based. The four criteria the highest and best use must meet are:

- legal permissibility;
- physical possibility;
- financial feasibility; and
- maximum profitability.

Highest and best use is applied specifically to the use of a site as vacant. It is recognized that in cases where a site has existing improvements, the concluded highest and best use as if vacant may be different from the highest and best use given the existing improvements (as improved). The existing use will continue, however, until the land value, in its highest and best use, exceeds that total value of the property under its existing use plus the cost of removing or altering the existing structure.

Implied in the highest and best use is a recognition of the contribution of a specific use to the community environment or to the community's development goals, in addition to wealth maximization of individual property owners. Also implied is that the conclusion of highest and best use results from the appraiser's judgment and analytical skill, i.e., that the use determined from the analysis represents an opinion, not a fact to be found.

Highest and best use analysis involves assessing the subject both as if vacant and as improved.

HIGHEST AND BEST USE AS THOUGH VACANT

Legal Permissibility

The subject site lies within the I-2 "General Industrial" District. This industrial district was designed to specifically promote a wide range of industrial and retail, commercial, institutional, and cultural/entertainment/recreational uses. Typical uses include retail sales and service shops, banks, restaurants, automobile service stations, car washes, day care facilities, bowling alleys, skating rinks, miniature golf courses, theaters, as well as adult oriented businesses, game rooms, museums, radio and television broadcasting studios and stations. The subject's office use reportedly <u>does-not</u> conform to the **use** restrictions as an "as of right" use.

Physical Possibility

In order for any use to be considered physically possible, it must first be legally permissible to develop that use on the site. The physically possible uses must also consider various factors about the site as well as factors in the neighborhood which would prevent development.

The subject site consists of one lot totaling 114,998± square feet with a configuration that is irregular in shape and topography that generally level at street grade. There were no soil or subsoil reports provided, however, we have assumed that development on the subject site is physically possible based on the existing improvements as well as neighboring properties.

In determining the physical possibility of the site we have considered several uses, as mentioned previously. When determining a physically possible use, a major concern is more importantly conformity or compatibility with existing surrounding for harmonious development, not just the physical structure that can be constructed. Typically, real estate benefits and maintains its value when in conformity with surrounding uses, unless the non-conforming use is compatible with those uses.

The subject property is located within a mixed use neighborhood within Lancaster, Lancaster County, Pennsylvania, with primarily one-story office buildings saturating the immediate neighborhood. Based upon the subject's location just off of US 30, some type of office use appears to be the most appropriate development.

Financial Feasibility

The financial feasibility of a specific property is market driven. The immediate area surrounding the subject is comprised of a variety of land uses; however, the predominant land use is commercial office use.

In our determination of financial feasibility we have analyzed current market rental rates for several different property types. This analysis compares the net operating income produced by appropriate improvements to the economic return on the property's value. In essence, the net income produced by the proposed or new improvements must provide a return to the cost of the improvements. Given the specific location of the subject site, its physical characteristics and legal restrictions, it is our opinion that development of the site with a commercial office building would be complimentary to the surrounding land uses and would represent the most likely development option. Furthermore, through a cost/income analysis we have determined that development of the subject site is currently financially feasible. Based on the analysis of supply and demand factors at the present time, rents achieved for the subject's class of office currently supports the cost of new construction.

Based on the aforementioned, we have determined that development of the subject site at the present time is financially feasible.

Maximum Profitability

The final test of highest and best use of the site as though vacant is the use be maximally productive, yielding the highest land value. Based on our feasibility analysis we have determined that development of the subject site is currently financially feasible at the present time.

Conclusion: Highest and Best Use As Vacant

The concluded highest and best use of the subject as though vacant is for immediate development with a office structure developed to its maximum allowable density.

HIGHEST AND BEST USE AS IMPROVED

Legal Permissibility

As discussed, the subject site's zoning and legal restrictions limit the subject as the site may be developed with facilities such as medium density industrial uses. Typical uses include retail sales and service shops, banks, restaurants, automobile service stations, car washes, day care facilities, bowling alleys, skating rinks and miniature golf courses, theaters, as well as adult oriented businesses, game rooms, museums, radio and television broadcasting studios and stations. Overall, it is our opinion that the subject's current commercial office improvements <u>are-not</u> within the established **use** guidelines and are considered a legally non-conforming use.

Physical Possibility

The physical characteristics of the subject improvements were discussed in detail in the improvement analysis section of this report. Overall, the layout and positioning of the improvements is considered functional for a commercial use, and the floor plan (design and layout) is considered to be reasonable on a comparison basis. While it would be physically possible for a wide variety of uses, based on the legal restrictions including lease encumbrances, the improvements are currently most functionally utilized as a commercial office.

Financial Feasibility

As with the highest and best use of the site as though vacant, the financial feasibility of the site as improved is market derived. Typically, for commercial developments similar to the subject, the test of feasibility is based on the amount of rent that can be generated from all space, less total operating expenses. If the residual amount that exists after paying the various expenses provides a sufficient return to the investor, then the land is being put to a productive use.

Our valuation, which is presented later in the report, reflects a value in excess of that attributed to the underlying land. Thus, the existing commercial improvements would be considered financially feasible to a prospective investor. Furthermore, given the configuration and design of the subject property, it would be imprudent to alter them to any alternative use.

Originators Resource Group therefore concludes that the current use of the improvements is a financially feasible use of the property as improved.

Maximum Profitability

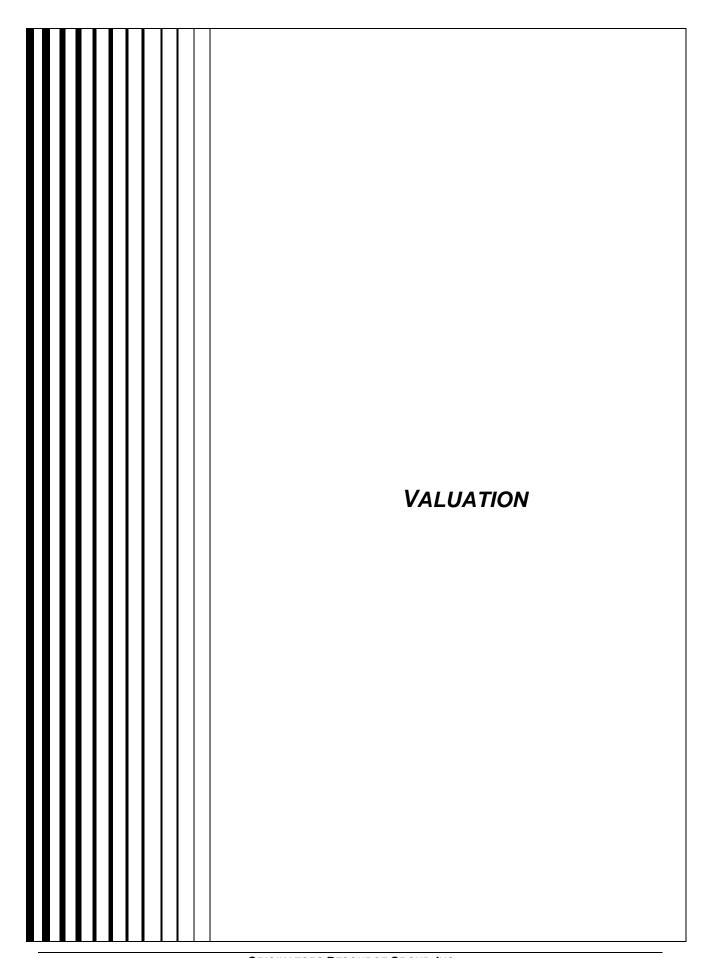
Similar to the highest and best use of the site as though vacant, the maximum profitable use of the subject as improved should conform to neighborhood trends and be consistent with existing land uses. Although several uses may generate sufficient revenue to satisfy the required rate of return on investment and provide a return on the land, the single use that produces the highest price or value is typically the highest and best use. However, the recipient of the property's productivity greatly determines what actual use maximizes profitability.

Conclusion: Highest and Best Use as Improved

Based on the foregoing discussions, *Originators Resource Group* concludes the highest and best use of the property as improved is consistent with the existing use as an office property.

Overall Highest and Best Use Conclusion

The current use is a legally non-conforming use and appears to represent the highest and best use as *improved*. Furthermore, the concluded highest and best use of the subject as *though vacant* is for immediate development with an office structure developed to its maximum allowable density.



APPRAISAL METHODOLOGY

The appraisal process is defined as an orderly program by which the problem is planned and the data involved is acquired, classified, analyzed and interpreted into an estimate of value. In this process three basic approaches to value are considered: Summation Approach, Sales Comparison Approach, and Income Capitalization Approach. In appraisal practice, an approach to value is included or omitted based on its applicability to the property type being valued and the quality and quantity of information available.

The final step in the appraisal process is reconciliation -- a process by which *Originators Resource Group* analyzes alternative conclusions and selects a final value estimate from among two or more indications of value. *Originators Resource Group* weighs the relative significance, applicability and defensibility of each approach as it relates to the type of property being appraised.

COST APPROACH

The Cost Approach is based upon the proposition the informed purchaser would pay no more for the subject than the cost to produce a substitute property with equivalent utility. This approach is particularly applicable when the property being appraised involves relatively new improvements which represent the highest and best use of the land or when relatively unique or specialized improvements is located on the site and for which there exist few sales or leases of comparable properties.

The first step in the Cost Approach is to estimate the land value (at its highest and best use) applicable to the subject. This is usually done through an analysis of comparable land sales. The second step is to estimate the cost of all improvements. Improvement costs are then depreciated to reflect value loss from physical, functional and economic causes. Land value and depreciated improvement costs are then added to indicate a total value.

Due to the age of the subject and current market conditions, accrued depreciation would be substantial and difficult to estimate. Furthermore, there are no truly comparable land sales within the subject's submarket. As a result, land valuation would be considered arbitrary at best. Given the aforementioned, an investor would not use the Cost Approach due to the imprecise nature of estimating the accrued physical, functional, or external depreciation affecting the improvements coupled with the problems associated with land valuation. The Cost Approach is not considered appropriate for this assignment and has not been employed.

SALES COMPARISON APPROACH

The Sales Comparison Approach utilizes sales of comparable properties, adjusted for differences, to indicate a value for the subject property. Valuation is typically accomplished using physical units of comparison such as price per square foot (\$/SF), price per unit (\$/Unit), etc., or economic units of comparison such as the annual gross income multiplier (GIM) and the net operating income ratio (NOIR). Adjustments are applied to the physical units of comparison derived from the comparable sale. The unit of comparison chosen for the subject is then used to yield a total value. Economic units of comparison are not adjusted, but rather analyzed as to relevant differences, with the final estimate derived based on the general comparisons.

The reliability of this approach is dependent upon (a) the availability of comparable sale data; (b) the verification of the sale data; (c) the degree of comparability; and (d) the absence of atypical conditions affecting the sale price. Through our search of the subject market, we were able to uncover an adequate quality and quantity of sales, through which a reliable and defensible indication of value could be concluded. Therefore, this approach has been employed for this assignment.

INCOME CAPITALIZATION APPROACH

The methodology of the Income Capitalization Approach is to determine the income-producing capacity of the property on a stabilized basis by estimating market rent from comparable rentals, making deductions for vacancy and collection losses and building expenses, then capitalizing the net income at a market-derived rate to yield an indication of value. The capitalization rate represents the relationship between net income and value.

APPRAISAL METHODOLOGY

Related to the direct capitalization method is the discounted cash flow method. In this method of capitalizing future income to a present value, periodic cash flows (which consist of a net income less capital costs, per period) and a reversion (if any) are estimated and discounted to a present value. The discount rate is determined by analyzing current investor yield requirements for similar investments.

Since investors are active in the marketplace for properties similar to the subject, the Income Capitalization Approach is particularly applicable to the appraisal problem at hand. There is an adequate quality and quantity of income and expense data available to render a reliable and defensible value conclusion. Therefore, this approach has been employed for this assignment.

SALES COMPARISON APPROACH

The Sales Comparison Approach provides an estimate of market value based on analyzing transactions of similar properties in the market area. The method is based on the proposition that an informed purchaser would pay no more for a property than the cost of acquiring an existing one with the same utility. When there are an adequate number of sales of truly similar properties with sufficient information for comparison, a range of values for the subject property can be developed.

There are various units of comparison available in the evaluation of sales data in this approach. The sale price per square foot (\$/SF) and the annual gross income multiplier (GIM) and the net operating income ratio (NOIR) are the most commonly used in this approach.

The subject property is a professional office building. For the purpose of this approach to value, we have selected the \$/SF as the unit of comparison, which is commonly used amongst buyers, sellers, and brokers for facilities like the subject property. As discussed previously, the sales comparison approach is utilized as secondary support to the Income Approach and will not be utilized to derive an independent value.

ANALYSIS OF IMPROVED SALES

The following table summarizes the comparable sales used in the analysis with a comparable map on the following page. A more detailed description of each transaction is included in the following pages:

				SUMMARY	OF COMP/	RABLE SA	NLES				
#	Address	Date	Yr built	Percent Occupied	Site Acreage	Coverage Ratio	Sales Price	Building GBA	Price/ Sq.Pt.	OAR	NOI/ Sq.Pt.
1	123 West Boro Line Road King of Prussia	7-Jun-05	2000	100.0%	4.140	5.21	\$2,800,000	34,600	\$80.92	7.50%	\$6.07
2	1200 River Road Conshohooken, PA	9-Feb-05	1955	100.0%	8.950	5.44	\$11,000,000	71,690	\$153.44	8.50%	\$13.04
3	794 Penllyn Blue Bell Pike Blue Bell, PA	19-Jan-05	1989	100.0%	2380	3.48	\$5,449,500	29,830	\$182.69	7.50%	\$13.70
4	444 Creamery Way Exton, PA	4-Aug-04	2003	100.0%	4.100	5.95	\$3,480,000	30,000	\$116.00	8.37%	\$9.71
5	217 South Broad Street Philadelphia, PA	9-Jul-04	1920	100.0%	0.317	0.26	\$4,400,000	53,000	\$83.02	8.75%	\$7.26
6	2100 Quaker Pointe Drive Quakertown, PA	18-Jun-04	1980	98.0%	4.590	7.14	\$3,519,000	28,010	\$125.63	8.97%	\$11 <i>.2</i> 7
Г	Lows:	Jun-04	1920	98.00%	0.32	0.26	\$2,800,000	28,010	\$80.92	7.50%	\$6.07
	Hghs: Averages:	Jun-05	2003	100.00% 99.67%	8.95 4.08	7.14 4.58	\$11,000,000 \$5,108,083	71,690 41,188	\$182.69 \$123.62	8.97% 8.27%	\$13.70 \$10.18

Compiled By: Originators Resource Group, Inc.

ANALYSIS OF IMPROVED OFFICE SALES

The price per square foot of the comparable sales ranged from a low of about \$80.92/SF to a high of approximately \$182.69/SF with the difference reflecting the economics of the various buildings. All of the sales had the same levels of occupancy as well as condition. Although physical attributes affect value, the differences in per-square-foot prices are attributable to net operating income and investor yield rates.

When properly applied, the Sales Comparison utilizes an adjustment grid with paired sales analysis to support percentage adjustments for differences between the sale properties and the subject property. However, given the complexities of the subject and the comparables there are usually too many disparities among the sales, making the percentage adjustment meaningless. The problem is exacerbated when the appraiser attempts to value a property subject to leases, where future patterns of net income flows largely determine value, based upon adjustments applied to physical property

characteristics such as structural quality. Units of comparison, such as sales price per square foot of building area, are usually influenced by patterns of net operating income and do not operate as independent variables.



Because of the enormous physical and financial complexities of these properties we were unable to adjust the sales to arrive at an estimate of value. Rather, we have analyzed each sale independently relative to the subject discerning similarities and differences which would affect value. We concluded at a logical estimate of value. In general, we paid particular attention to the following characteristics:

- Property rights transferred
- Financing
- Sellers' and buyers' motivations
- Market conditions
- Physical Characteristics

A discussion of these general characteristics is detailed hereafter. Following those comments are specific comments regarding each of the comparables.

Property Rights Transferred

Of the comparable sales, all five were purchased for owner/user purposes. Buildings that sell for owner-user purposes reflected a fee simple interest, as opposed to a leased fee interest. The subject property is a leased fee interest subject to the existing leases. If leased buildings are leased at market rates, there is no difference in a property purchased for owner-user purposes as opposed to investor purposes. We are of the opinion that the leased fee transactions were sold with in-place leases that correspond with market rental rates; therefore, no adjustments are warranted.

Financing

The majority of transactions in the current economic environment involve cash equivalent financed sales. Discussions with major lending institutions over the past year revealed that almost <u>all</u> asset classes have once again become financable through traditional sources. Requirements are less stringent than in the past, including greater loan-to-values on a first mortgages with lower debt service coverage ratios. A detailed discussion of capital markets will be presented in the Income Approach.

Conditions of Sale

Conditions of sale reflect the motivations of buyers and sellers. In many situations, the conditions of the sale have a significant impact on price. For example, if the seller is under distress, or if there is unusual financing, or related parties involved in the transaction, the price will not reflect the market. The sales included in this report have all occurred at arms-length and represent market transactions. Therefore, no adjustments are made for sale conditions.

Market Conditions

All the sales reflect transactions within the past 15 months and the amount of sales activity in the past period reflects increased market activity. Sellers have waited-out the recession and can realize significant value gains from that period given current market prices. Additionally, buyers recognize the opportunity to purchase real estate at prices that are still below replacement costs. Therefore, the number of transactions over the past two years has remained relatively stable. Investors have entered the market seeking upside potential given their anticipation of appreciating real estate in an improving marketplace. Based on our analysis of our sales data, there is not an apparent upward trend, in terms of price per square foot, or a downward trend in terms of overall capitalization rates and/or net income multipliers over the past few years. Consequently, market condition adjustments are not required in our analysis.

Physical Characteristics

The size and age of the buildings, as well as the obvious capital and maintenance requirements significantly impact value. Given the subject's building class and size, as long as the building is capable of supporting a multi-tenancy layout with at least 25,000 square feet of rentable area, there is probably not a discernible *unit-price* difference. The theory that a smaller building will sell for a higher unit price than a larger building would only be relevant if the comparable contained less than 25,000 square feet or more than 75,000 square feet. The subject property has a net rentable area of 53,207 square feet and a gross building area of 53,207 square feet. The comparable sales range in size from 28,010 square feet to 71,690 square feet. Therefore, according to this theory, buildings substantially greater than 75,000 square feet would require some type of upward adjustment, while building less than 25,000 square feet would require a downward adjustment.

The age of the building is critical as it implies certain functional aspects regarding utility. Since the subject was built in 1972, it is considered to be a fairly new building when compared to the comparable sales which ranged in years built from 1920 to 2003. Buildings older than the subject, even if renovated, may have outdated mechanical systems that cannot be compared to buildings built far more recently. Aside from inefficiencies, interior conditions must be considered. Structural changes, roof leaks, inadequate lighting systems, loading docks, number of stories, accessibility to upper floors, etc. all have an impact on the long term viability of these older buildings. Finally, maintenance programs, generally absorbed by the owner, can effect the financial position of the building. Even net leases tend to require the owner to shoulder certain costs to retain the tenants.

SPECIFIC COMMENTS REGARDING EACH COMPARABLE:

Specific comments regarding each comparable is presented on the following pages:

COMPARABLE SALE #1: 123 WEST BORO LINE ROAD, KING OF PRUSSIA, PENNSYLVANIA



SALE DATA Sale Price: \$2.800.000 Date of Sale: 07-Jun-05 Grantor: Miller Brothers Contracting Grantee: Girard Estate Occupancy: 100.0% Story Height: Condition: Excellent Building Area (NRA): 34,600 <u>Acres</u> Site Size: 180.338 4.14 Year Built: 2000

 VALUE INDICATORS

 Price/SF:
 \$80.92

 OAR:
 7.50%

 NOI/SF:
 \$6.07

COMMENTS: This sale represents (1) two-story professional office building located in King of Prussia, Pennsylvania. This property was originally constructed in 2000 and is currently in excellent overall condition. Situated on a 4.14 acre site, this asset has a site size of 180,338 square feet. The property is located on an irregular shaped lot with 228' feet of frontage on West Boro Line Road.

The capitalization rate of 7.50% is based upon an NOI of \$6.07/SF. Relative to the subject's NOI of \$10.46/SF, this comparable is considered far inferior in terms of cash flow.

ADJUSTMENTS: In terms of location, this sale has a superior location warranting an downward adjustment. Its size is relatively similar; therefore, no adjustment is needed. In terms of functional utility, this property is considered similar. The building's income is considerably less than the subject's warranting an upward adjustment. No further adjustments were made.

COMPARABLE SALE #2: 1200 RIVER ROAD, CONSHOHOCKEN, PENNSYLVANIA



SALE DATA

Sale Price: \$11,000,000
Date of Sale: 09-Feb-05
Grantor: River Park II Associates
Grantee: BPG Office River Park II
Occupancy: 100.0%
Story Height: 4

Condition: Excellent
Building Area (NRA): 71,690
Site Size: 389,862

Acres

8.95

Year Built: 1955
VALUE INDICATORS

Price/SF: \$153.44

OAR: 8.50%

NOI/SF: \$13.04

COMMENTS: This sale represents (1) four-story elevator professional office building located in Conshohocken, Pennsylvania. Situated on an 8.95 acre site, this asset was in excellent overall condition at the time of sale. This property was part of a portfolio sale with a total sales price of \$350 Million, or \$125/SF of GBA for all 22 office buildings. The 22 buildings in the sale are located throughout the Pennsylvania, New Jersey, and Maryland office markets. The capitalization rate of 8.50% is based upon an NOI of \$13.04/SF. Relative to the subject's NOI of \$10.46/SF, this comparable is considered superior in terms of cash flow.

ADJUSTMENTS: In terms of location, this sale is superior warranting a downward adjustment. Its size is relatively similar; therefore, no adjustment is needed. In terms of functional utility, this property is considered similar. The building's income is greater than the subject's warranting a downward adjustment. No further adjustments were made.

<u>Acres</u>

2.38

7.50%

\$13.70

COMPARABLE SALE #3: 794 PENLLYN BLUE BELL PIKE, BLUE BELL, PENNSYLVANIA



SALE DATA

Sale Price: \$5,449,500
Date of Sale: 19-Jan-05
Grantor: Blue Bell Commons
Grantee: FBB Realty Partners, LP
Occupancy: 100.0%
Story Height: 2
Condition: Average

 Building Area (NRA):
 29,830

 Site Size:
 103,673

 Year Built:
 1989

VALUE INDICATORS
Price/SF: \$182.69

COMMENTS: This sale represents a similar sized two-story professional office building located in Blue Bell, Pennsylvania. This property was originally constructed in 1989 and is currently in average overall condition. Situated on a 2.38 acre site with 146' feet of linear frontage on Penllyn Blue Bell Pike, this asset also has 125 on-site parking spaces. The building was purchased by an owner/use and 100% leased to the two communication companies at the time of sale. The purchase was based upon an NOI of \$13.70/SF indicating an overall capitalization rate of 7.50%. Relative to the subject's NOI of \$10.46/SF, this comparable is considered superior in terms of cash flow.

OAR:

NOI/SF:

ADJUSTMENTS: In terms of location, this sale is similar. Its size is similar; therefore, no adjustment is needed based upon the principal of economies of scale. In terms of functional utility, this property is considered similar. The building's income is greater than the subject's warranting a further downward adjustment. No further adjustments were made.

COMPARABLE SALE #4: 444 CREAMERY WAY, EXTON, PENNSYLVANIA



SALE DATA Sale Price:

\$3,480,000 Date of Sale: 04-Aug-04 Grantor: 444 Creamery Way Associates Grantee: Susie D. LLC Occupancy: 100.0% Story Height: Condition: Good Building Area (NRA): 30.000 <u>Acres</u> Site Size: 178.596 4.10 Year Built: 2003

 VALUE INDICATORS

 Price/SF:
 \$116.00

 OAR:
 8.37%

 NOI/SF:
 \$9.71

COMMENTS: This sale represents a similar sized one-story professional office building located in Exton, Pennsylvania. This property was originally constructed in 2003 and is currently in good overall condition. Situated on a 4.10 acre site with 420' feet of linear frontage on Creamery Way, this asset also has 100 on-site parking spaces. The building was purchased by an owner/use, intending to occupy 10,000 SF, while the remaining square footage is leased by a consulting company. The purchase was based upon an NOI of \$9.71/SF indicating an overall capitalization rate of 8.37%. Relative to the subject's NOI of \$10.46/SF, this comparable is considered inferior in terms of cash flow.

ADJUSTMENTS: In terms of location, this sale is similar. Its size is similar; therefore, no adjustment is needed based upon the principal of economies of scale. In terms of functional utility, this property is considered similar. The building's income is less than the subject's warranting a further upward adjustment. No further adjustments were made.

\$7.26

COMPARABLE SALE #5: 217 SOUTH BROAD STREEET, PHILADELPHIA, PENNSYLVANIA



SALE DATA

Sale Price: \$4,400,000
Date of Sale: 09-Jul-04
Grantor: 215 South Broad Associates

Grantee: WP 215 Broad Occupancy: 100.0%

 Story Height:
 9

 Condition:
 Average

 Building Area (NRA):
 53,000
 Acres

 Site Size:
 13,809
 0,317

Year Built: 1920

VALUE INDICATORS
Price/SF: \$83.02
OAR: 8.75%

COMMENTS: This sale represents (1) nine-story elevator professional office building located in Philadelphia, Pennsylvania. This property was originally constructed in 1920 and is currently in average overall condition. Situated on a 0.317 acre site, this asset has limited on-site street parking. At the time of sale, Rite Aid Pharmacy occupied the ground floor retail space. The purchase price was based upon an NOI of \$7.26/SF with an overall capitalization rate reflecting 8.75%. Relative to the subject's NOI of \$10.46/SF, this comparable is considered far inferior in terms of cash flow.

NOI/SF:

ADJUSTMENTS: In terms of location, this sale is superior warranting a downward adjustment. Its size is similar; therefore, no adjustment is needed based upon the principal of economies of scale. In terms of functional utility, this property is considered similar. The building's income is less than the subject's warranting a further upward adjustment. No further adjustments were made.

COMPARABLE SALE #6: 2100 QUAKER POINTE DRIVE, QUAKERTOWN, PENNSYLVANIA



SALE DATA

Sale Price: \$3,519,000 Date of Sale: 18-Jun-04

Grantor: 2100 Quaker Pointe Associates

Grantee: Mokn Realty, LLC

Occupancy: 98.0%

Story Height: 2

Condition: Average

Building Area (NRA): 28,010 Acres

Site Size: 199,940 4.590

Year Built: 1980

VALUE INDICATORS

Price/SF: \$125.63

OAR: 8.97%

NOI/SF: \$11.27

COMMENTS: This sale represents a similar sized two-story professional office building located in Quakertown, Pennsylvania. Situated on a 4 .590 acre site, this asset has 150 available on-site parking spaces. Reportedly, the property is located within Quaker Pointe Professional Park and 98% leased to health professionals. Te property previously sold in August 2002 for \$2,500,000 or \$89.25/SF of GBA, an increase of 29% in 2 years. The NOI of \$11.27/SF is based upon an overall capitalization rate of 8.97%. Relative to the subject's NOI of \$10.46/SF, this comparable is considered superior in terms of cash flow.

ADJUSTMENTS: In terms of location, this sale is superior warranting a downward adjustment. Its size is similar; therefore, no adjustment is needed based upon the principal of economies of scale. In terms of functional utility, this property is considered similar. The building's income is greater than the subject's warranting a further downward adjustment. No further adjustments were made.

COMPARING PROPERTIES ON THE BASIS OF NOI PER SQUARE FOOT

We have analyzed the net operating income (NOI) being generated by the comparable sales as compared to the subject's projected pro forma operating status that was estimated in the Income Capitalization Approach. Basically, by developing a ratio between the subject net operating income and the comparable's net operating income (on a per-square-foot basis), an adjustment factor can be calculated for each of the individual sales. This adjustment factor can then be applied to the comparable's price per square foot of comparison to render indications for the subject property which attempt to isolate the economic reasoning of the buyers. In general, it is a fundamental assumption that the physical characteristics of a project (e.g., location, access, design/appeal, condition, etc.) are reflected in the net operating income being generated and that the resultant price per square foot paid for a property has a direct relationship to the net operating income being generated. The following chart depicts the calculations involved in developing adjustment factors to be applied to the respective price per square foot element of comparison developed from the comparables employed.

NET OPERATING INCOME RATIO (NOIR) ANALYSIS							
Subject's NOI:	\$556,721						
Subject's Square I	=cotage:	53,207					
Subject's NOI/SF:		\$10.46					
= Calculated Ratio	Х	Sales Price \$/SF	=	Adjusted \$/SF For Subject			
= 1.724	Х	\$80.92	=	\$139.51			
= 0.802	х	\$153.44	=	\$123.10			
= 0.764	х	\$182.69	=	\$139.51			
= 1.078	х	\$116.00	=	\$125.01			
= 1.440	х	\$83.02	=	\$119.58			
= 0.928	х	\$125.63	=	\$116.65			
		\$116.65 \$139.51 \$127.23					
	Subject's NOI: Subject's NOI/SF: = Calculated Ratio = 1.724 = 0.802 = 0.764 = 1.078 = 1.440 = 0.928 Adjusted Low: Adjusted High:	Subject's NOI: Subject's NOI: Subject's Square Footage: Subject's NOI/SF: = Calculated X Ratio = 1.724 X = 0.802 X = 0.764 X = 1.078 X = 1.440 X = 0.928 X	Subject's NOI: \$556,721 Subject's Square Footage: 53,207 Subject's NOI/SF: \$10.46 = Calculated X Sales Price Ratio \$/SF = 1.724 X \$80.92 = 0.802 X \$153.44 = 0.764 X \$182.69 = 1.078 X \$116.00 = 1.440 X \$83.02 = 0.928 X \$125.63 Adjusted Low: \$116.65 Adjusted High: \$139.51	Subject's NO: \$556,721 Subject's Square Footage: 53,207 Subject's NO/SF: \$10.46 = Calculated X Sales Price = Ratio \$/SF = 1.724 X \$80.92 = = 0.802 X \$153.44 = = 0.764 X \$182.69 = = 1.078 X \$116.00 = = 1.440 X \$83.02 = Adjusted Low: \$116.65 Adjusted High: \$139.51			

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Conclusion Via NOIR Analysis:

The nominal sale prices of the comparable sales, which were purchased for investment purposes range from \$80.92/SF to a high of approximately \$182.69/SF. After adjustments, the comparables provide an indicated range from \$116.65/SF to \$139.51/SF with a mean of \$127.23/SF. The relatively tight range of indicated values provides good support for the validity of this valuation approach. Given the stabilized income characteristics of the subject property and market rent levels, we have reconciled at a per-unit value range at the upper portion of the adjusted range, or a value range of \$136.00/SF to \$141.00/SF NRA. Applied to the subject gross buildable area (53,207 SF) we calculate a value as follows:

SALES COMPARISON APPROACH

NET	NET INCOME RATIO (NOIR) VALUATION						
Indicated \$ / SF Range		Size (GBA)	Total				
\$136.00	Χ	53,207	=	\$7,236,152			
\$141.00	Χ	53,207	=	\$7,502,187			
		Average Value:		\$7,369,170			
	Rounded Value Estimate:						
	Rounded Value/Sq.Ft.:						

In conclusion, we estimate that the market value of the leased fee interest in the subject property, as of August 23, 2005, via the Sales Comparison Approach, is:

VALUE CONCLUSION – SALES COMPARISON APPROACH						
	<u>Value</u> <u>Value Per SF</u>					
Valuation	\$7,400,000	\$139.08				

The comparable sales presented above offer a simplistic view of the market. Since only general details of existing income and expenses were available, specific analysis is nearly impossible. Accordingly, we maintain that the Sales Comparison Approach, as applied to the subject property in the current market, can only be conducted informally and acts as a general gauge of the market. It is intended to give support to the Income Approach as a test of its reasonableness.

INCOME CAPITALIZATION APPROACH

INTRODUCTION

The Income Capitalization Approach reflects the subject's income-producing capabilities. This approach is based on the assumption that value is created by the expectation of benefits to be derived in the future. Specifically estimated is the amount an investor would be willing to pay to receive an income stream plus reversion value from a property over period of time. The two common valuation techniques associated with the Income Capitalization Approach are direct capitalization and the discounted cash flow (DCF) analysis.

APPROPRIATE CAPITALIZATION METHOD

In the case of the subject, we have chosen to use the direct capitalization technique as the primary methodology because it accurately reflects the stability in the cash flow. The investors purchasing a property similar to the subject in light of the fact that the property is encumbered by the current lease terms would utilize a direct capitalization analysis to analyze the subject property.

POTENTIAL GROSS INCOME

The first step in this analysis is to determine the revenues at the subject property. The maximum legal revenues the property could possibly generate is called potential gross income (PGI). It assumes that every rentable square foot of the building is leased for a certain dollar amount. Potential gross income is comprised of four components:

- scheduled rent: (i.e. base rent from existing leases including scheduled step-ups, adjusted for free rent concessions if appropriate);
- 2) **escalations:** these are expense pass-throughs or recovery income (i.e. additional charges to tenants for part or all of the increases in fixed and operating expenses);
- estimated market rent: (i.e. rent attributed to vacant space and/or owner-occupied space, adjusted for expected lease up period and free rent concessions);
- 4) **other income:** (i.e. sundry income, miscellaneous income)

1) SCHEDULED RENT

The first component of PGI, scheduled rents, is determined by the terms of the existing leases which stipulate base rent levels, scheduled increases in base rent, (timing and amount) and any free rent periods which may be applicable. These terms are set forth in the existing leases.

As of the effective date of the appraisal, the subject property was 100% leased by one tenant. A rent roll summary, which outlines the lease terms of each existing tenant, is presented below.

	3050 HEMPLAND ROAD, LANCASTER, PA RENT ROLL							
			%	LEASE	LEASE	BASE R	RENT	Option
#	TENANT NAME	Sq. Ft.	OCC.D	START	END	CURR. YR.	PSF.	Terms
1	York Technical Institute	53,207	100.0%	05/02/05	5/1/2020	\$585,277	\$11.00	Inc. after 1 yr. Based on CPI
	Totals	53,207	100.0%			\$585,277	\$11.00)

Compiled By: Originators Resource Group, Inc.

The subject property's occupancy level is 100%. The tenant is responsible for all real estate taxes, insurance, and common area maintenance (CAM). This is an absolute net (NNN) lease structure. We have compared projected market rent to contract rent including escalations in the next section.

2) PGI DETERMINATION: RECOVERIES

Recoveries are the amounts tenants pay to reimburse the landlord for the operating and fixed expenses attributable to the space they occupy. Expense pass-through or recovery income is based on the escalation provisions of existing leases as well as our assumptions for what these provisions will be for leases of the space vacated in the future. As is typical for this market, tenants at the subject property are

responsible for all operating expenses (CAM), insurance, and utilities on a pro rated basis. Real estate taxes are also recaptured on an absolute net (NNN) basis. Landlord pays solely for asset management and structural repairs. The speculative renewal lease will have the same triple-net (NNN) lease structure.

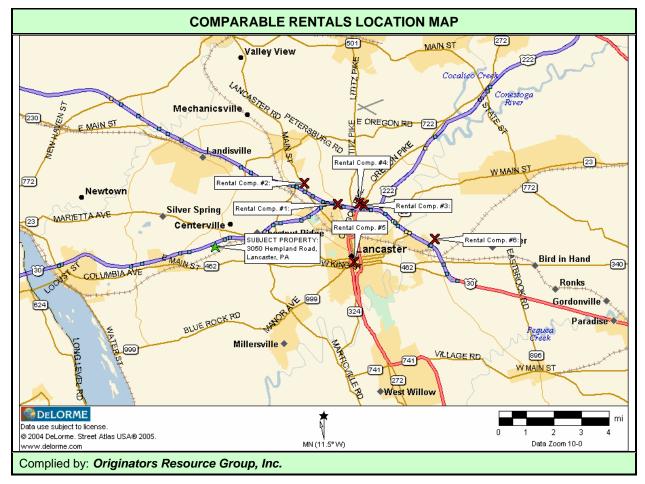
ESTIMATED MARKET RENT

In order to estimate the market income potential for the subject property's medical office space, we have completed a survey of existing leases of comparable properties in the competitive market area. All of the comparables were situated within buildings located in the subject's competitive market, and are considered to be reasonably comparable to the subject's space in terms of size, quality, condition and location. All of the comparable leases are relatively recent. Our comparable rental survey is presented below together with brief descriptions of each of the comparables:

#	Address/Tenant	Size (SF)	Term (Yrs.)	Lease Date	Rent/SF	Comm	nents
1	Rte 30 @ Fruitville Pike, Lancaster, Pennsylvania Reinsel Kuntz Lesher, LLP	46,992	20	2006	\$21.00	Escalation: Operating Exp. R.E. Tax: Work letter: Free Rent: Electric:	Annual inc NNN NNN Non Non Direct Metere
2	Lausch Lane & Manheim Pike Lancaster, Pennsylvania Union National Bank	30,000	20	2006	\$17.25	Escalation: Operating Exp. R.E. Tax: Work letter: Free Rent: Electric:	Annual inc NNN NNN None None Direct Metered
3	1755 Oregon Pike, Lancaster, Pennsylvania AXA Advisors (Equitable)	6,624	5	2005	\$18.00	Escalation: Operating Exp. R.E. Tax: Work letter: Free Rent: Electric:	Annual inc NNN NNN None None Direct Metere
4	120 North Pointe Boulevard, Ste. 100 Lancaster, Pennsylvania Wachovia Securities	5,510	5	2005	\$18.58	Escalation: Operating Exp. R.E. Tax: Work letter: Free Rent: Electric:	Annual inc NNN NNN None None Direct Metere
5	101 N. Queen Street. Lancaster, Pennsylvania L3 Communications Corporation	136,500	15	2005	\$14.60	Escalation: Operating Exp. R.E. Tax: Work letter: Free Rent: Flectric:	Fla NNN NNN None None Direct Metere
6	1869 Charter Lane, Ste. 301 Lancaster, Pennsylvania Beard Miller Financial Advisors Services	15,102	5.5	2004	\$17.40	Escalation: Operating Exp. R.E. Tax: Work letter: Free Rent: Electric:	Annual inc NNN NNN \$5/SI None Direct Metered
	Lows: Highs: Averages:	5,510 136,500 40,121	5 20 12	2004 2006	\$14.60 \$21.00 \$17.81		

Compiled By: Originators Resource Group, Inc.

The comparable leases ranged in size from 5,510 square feet to 136,500 square feet. The base rental rates ranged from \$14.60/SF to \$21.00/SF. The average base rental rate is approximately \$17.81/SF. Five of the six comparable leases provide for various rental increases over the term, with one of the leases having flat rent over the term. All of the five six are structured on a NNN lease structure based with tenants paying 100% of expenses, while electricity was directly metered. Additional information on lease structures, concerning tenant work letters and rental concessions were unavailable.



MARKET RENT CONCLUSION

Given the foregoing rent comparables, we conclude that a base market rental rate for the subject's office space is in the \$15.00/SF range. Market terms include annual increases of 3.0%, a 15-year term, and NNN lease structure. It is our opinion that the current market rental rate for space at the subject property is as follows:

MARKET RENT CONCLUSIONS							
Space:	Space: Office Space						
Rent:	\$15.00/SF						
Escalation's:	3.0% per year						
Term: 15 years							
Structure:	NNN *						
Tenant Work Letter:	N/A						
Free Rent: None							
* Operating expenses and Real Estate t	taxes are paid by the tenant on a full pro rata basis.						

4) OTHER INCOME

The subject does not collect any additional rent.

VACANCY AND COLLECTION LOSS

In analyzing the subject, an allowance for potential vacancy and credit loss would normally be provided by a prudent investor. Since real estate is basically a long-term investment, there always exists the possibility of occasional rent loss such as the period between the day one tenant vacates the premises and the day the incoming tenant begins to pay rent. Further, an allowance for bad debts, tenant disputes, etc. must be taken into account. Taking these factors into consideration, and the subject's history as a

single tenant building, we have applied an aggregate vacancy and collection loss of **1.0%** to the subject's potential gross income.

OPERATING EXPENSE ANALYSIS

The next step in the Income Approach is to estimate the fixed and variable operating expenses for the subject property. The subject is leased on a triple net (NNN) basis, whereby the tenant is responsible for paying all operating expenses including insurance, utilities, repair and maintenance related expenses as well as real estate taxes. Management fees and capital expenditures are incurred by the landlord and are not passed-through to the tenant. These expenses are discussed below.

Professional Management Fee

In order to maintain the control of the property and subsequently ensure the stream of income that it generates, it is necessary to employ either internal or outside management. One of the assumptions in a "market value appraisal" is that the property will be sold under typical market parameters. Our discussions with management companies familiar with office properties such as the subject indicated that a management fee of between 3.0% and 5.0% of effective gross income is within market parameters and reasonable. Our experience with similar office facilities instituted a 3.0% management fee. As a result, we have instituted a 3.0% management fee in our cash flow which equates to \$17,383 or \$0.33/SF.

Reserves for Replacement

There was no subject expense history for this item. This expense typically represents a reserve for future replacement of short-lived items. Comparable properties typically report stabilized reserves for replacement expenses ranging from \$0.05/SF to \$0.50/SF on an on-going basis. Based upon the subject's overall good condition, a reserve for replacement expense rate for the subjects of \$0.10/SF is considered reasonable and has been applied.

Total Concluded Operating Expenses

The subject's expense history is detailed as follows:

STABILIZED EXPENSES							
Calendar Year							
Building Area (NRA): 53,207 Total \$/Sq.Ft.							
Expenses							
Management		\$17,383	\$0.33				
Reserves for Replacements	_	5,321	\$0.10				
Total Operating Expenses \$22,704 \$0.43							

NET OPERATING INCOME

The difference between effective gross income and operating expenses is the net operating income. It is the income that accrues to the property owner prior to deductions for capital expenditures or debt service.

CAPITAL EXPENDITURES

Leasing commissions (LC's) and tenant work letters (TI's) are capital expenditures for which the landlord is solely responsible and must be incurred to lease vacant space and to improve it for tenants' use. These are not typical operating expenses because they do not recur at regular intervals or amounts.

Leasing Commissions

It is standard practice in the subject's area to use brokers to lease space. For many landlords, it is also customary to lease their own space. The standard commission paid to an outside broker is figured as a varying percentage of the rent to be paid over the term of the lease. One-half of the full commission is typically paid for re-let tenants. Given our 75% probability of renewal, we have calculated the appropriate commission. This will be the schedule that is included in our discounted cash flow analysis. The typical commission schedule is presented below:

Year	Full Commission	Renewal Comm.	75%/25% Comm.
Weighted Ave.	4.0%	2.0%	2.50%

For the purposes of our analysis, *Originators Resource Group* has utilized the aforementioned schedule.

Tenant Improvements (TI's)

Tenant improvements (TI's), or tenant work letters, typically cover the demolition and/or replacement of interior space and is used to maintain or attract new tenants. As discussed previously, although tenant improvement allowances are provided to office tenants, they are typically marginal in nature for second-generation (non-shell) space. We have not assumed a tenant improvement allowance for the purpose of this analysis.

Capital Expenditures:

As a result of the continued maintenance program, the subject property is considered to be in good physical condition. Therefore, no capital expenses will be allocated.

INCOME CAPITALIZATION APPROACH: DIRECT CAPITALIZATION

As previously discussed, direct capitalization is a method used to convert a single year's estimated stabilized net operating income (NOI) into a value indication. Once the net operating income has been estimated, this conversion is accomplished by dividing the NOI estimate by an appropriate rate. The rate reflects the relationship between one year's income or an annual average of several years' income and the corresponding capital value.

Several methods of developing an overall capitalization rate have been considered. The methods include utilizing *Investor Surveys*, the *Survey Method*, the *Extraction Method* of an overall capitalization rate from actual sales of comparable properties within the subject marketplace, the *Mortgage-Equity Technique* (*Band of Investment*), and the *Debt Coverage Ratio Technique*. These methods are considered the most meaningful for the subject property.

Investor Surveys

A method for establishing an overall capitalization rate for the subject is to review the criteria of major investors in the marketplace. This may serve as a check against other techniques or may be a primary source when ample data exists.

This technique is considered to be appropriate for the subject. The results of relevant published investor survey data are summarized in the following table.

SUMMARY OF INVESTOR SURVEYS CLASS A & B OFFICE PROPERTIES								
Going In Capitalization Terminal Discount Source Rate (%) Capitalization Rate (%) Rate (%)								
CB Richard Ellis	8.5% - 10.5%	9.0% - 11.0%	10.5% - 15.0%					
Cushman & Wakefield	7.0% - 10.0%	8.5% - 11.0%	10.75% - 13.0%					
Korpacz Real Estate 7.5% - 12.0% 7.5% - 12.0% 10.0% - 14.0%								
Compiled by: Originators	Compiled by: Originators Resource Group, Inc.							

The subject property is in a suburban location and is considered to be a Class B investment. The survey categories most applicable to the subject indicate an overall rate range of 7.5% to 12.0% and an average of 9.63%. Because of the subject's condition, age, location, and market-oriented leasing structure, it is likely that the appropriate capitalization rate would be towards the middle portion of the range indicated in the preceding table. These factors indicate that the appropriate overall capitalization rate for the subject would likely fall in the **7.0% to 9.0% ra**nge on the basis of published investor survey data.

Market Sales Extraction (Derivation from Comparable Sales)

This is the preferred method when sufficient data exists. Data on each property's sale price, income, expenses, financing terms, and market conditions at the time of sale is needed. The overall capitalization

rate is then derived by dividing the net operating income by the sale price. This technique is considered appropriate for the subject.

The drawback to the extraction approach is inherent in the volatility of the prospective income stream and the uncertainty regarding expenses. As a result, overall rates could vary significantly rendering the extracted economic indicators less reliable. As previously mentioned, we made a search for comparable sales throughout the region and six sales were discovered indicating a range in overall rates between 7.50% and 8.97% with a central tendency of 8.27%.

MARKET EXTRACTED CAPITALIZATION RATES							
#	Address	Location	OAR				
1	123 West Boro Line Road	King of Prussia	7.50%				
2	1200 River Road	Conshohooken, PA	8.50%				
3	794 Penllyn Blue Bell Pike	Blue Bell, PA	7.50%				
4	444 Creamery Way	Exton, PA	8.37%				
5	217 South Broad Street	Philadelphia, PA	8.75%				
6	2100 Quaker Pointe Drive	Quakertown, PA	8.97%				
	Lows: Highs: Averages:		7.50% 8.97% 8.27%				

Compiled By: Originators Resource Group, Inc.

Note that the low end of the extracted range was indicative of a building with a high immediate upside potential while the high end of the range exemplified a building with limited immediate upside potential. All of the buildings were considered worthy of comparison to the subject given their stabilized occupancies. Because the subject exhibits below-market rents relative to its operating history, occupancy, age and overall condition, an OAR that coincides with the lower portion of the extracted range would be most appropriate. As a result, we have concluded to an overall capitalization rate of **7.50%** via the Extraction Technique.

Survey Method

Based upon the current state of the real estate and capital markets, we analyzed the cost of capital for the subject property. Our analysis included an examination of the manner in which real estate purchases are typically financed and the current markets for debt and equity financing, including specific lending and purchase criteria obtained in discussions with active market participants. From these conversations, we concluded that properties that are being financed are generally of more recent construction, well located, functionally state-of-the-art, and substantially leased to tenants of high credit quality. Furthermore, we concluded that the majority of the providers of debt would be inclined to lend on a property similar to the subject.

In general, we have found that lenders require approximately 125 to 150 basis points over comparable Treasuries (7-10 Yrs.). Current rates for 7 and 10 year Treasuries are in the 4.00% range. Therefore, investors would likely be looking at a rate on debt of approximately 5.25% to 5.50%. Furthermore, investors would likely be looking at a rate between 10.0% and 25.0% on equity. Occupancy, credit risk, property condition, and environmental concerns are of utmost importance.

Debt Coverage Ratio Technique

The debt coverage ratio (DCR) is often utilized by lenders as a decision criterion on whether to make a loan or not. When an institution underwrites a real property loan, lenders want to ensure that there is enough income to cover the debt service payment. A ratio of 1.0 indicates that there is exactly enough income to cover the debt service. A loan with this DCR would be considered risky because there is no

excess income to safeguard against a downward fluctuation in the income stream. On the other hand, a DCR greater than 1.0 indicates there is excess cash flow to act as a cushion for these fluctuations. The higher the debt coverage ratio the less risk the loan has of going into default. In calculating a capitalization rate using the DCR technique, we must multiply the DCR by the LTV by the mortgage constant. Our calculation is presented below and results in an OAR of 6.39%.

DERIVATION OF DIRECT CAPITALIZATION RATE DEBT COVERAGE RATIO TECHNIQUE						
Amortization (Years):			30			
Interest Rate:			5.50%			
Mortgage Constant:			0.06813	5		
Loan-To-Value Ratio:			75%			
Debt Coverage Ratio:			1.25 X			
Overall Rate	=	DCR	Х	Mortgage Constant	Х	LTV
OAR	=	1.25	Χ	0.068135	Χ	75%
OAR	=	0.063876	=	6.39%		
Rounded Capitalization Rate:			6.39%			

Compiled By: Originators Resource Group, Inc.

Band of Investment

BAND OF INVESTMENT CALCULATION				
Equity/Debt Ratio	Χ	Equity/Debt Rates		Weighted Average
25.0%	Χ	10.00%	=	2.5000%
75.0%	Χ	6.813%	=	<u>5.1101%</u>
2.5000%	+	5.1101%	=	7.6101%
Rounded Capitalization Rate:				7.61%

Compiled By: Originators Resource Group, Inc.

As a second approach to developing a capitalization rate, we have considered a Band of Investment Method of capitalization rate derivation. This analysis incorporates the effect on value that debt has on a financed transaction. Based upon our findings in the Survey Method, we have assumed a market-oriented LTV, investor equity return, and a cost of debt, resulting in a calculated OAR of 7.61%.

Conclusion of the Overall Rate

Although it is not possible to prove conclusively the suitability of a particular rate of return on the basis of market evidence, the chosen rate should be consistent with the available evidence. Rate selection requires appraisal judgment and knowledge concerning prevailing market attitudes and economic indicators.

Over the last two years, there has been an increase in real estate investment activity that has affected all real estate. This rebound has been tied to the recovery from the economic recession of the early 1990's, increased financing availability, volatility in the stock market, speculation about an increase in inflation, and an increase in foreign investment. Developers and small investors who relied heavily on leverage to acquire property have increased their acquisition activity significantly.

In general, real estate activity has picked up considerably. It appears that non-trophy or secondary properties are attracting buyers focusing on acquiring assets at bottom prices. Financing is no longer a major issue since financial institutions have loosened their tight credit guidelines. The loosening of these constraints on financing alternatives has caused the volume of real estate transfers to increase.

Indications were that similar assets typically trade at capitalization rates in the 7.00% to 9.00% range for properties with stabilized occupancies. Note that higher capitalization rates were typical for properties

with market-oriented rents as this tends to deplete any upside potential the property may have. Furthermore, the opposite is also true in that properties with below-market rents would typically trade at lower capitalization rates as the upside potential is considered to be greater. Therefore, given the subject's market position relative to its operating history, occupancy, age and overall condition, an OAR towards the lower portion of the range would be most appropriate. Therefore, we conclude that a **7.50% overall capitalization rate** is most appropriate.

Direct Capitalization Summary

The following table is a direct capitalization schedule for the subject at stabilized occupancy:

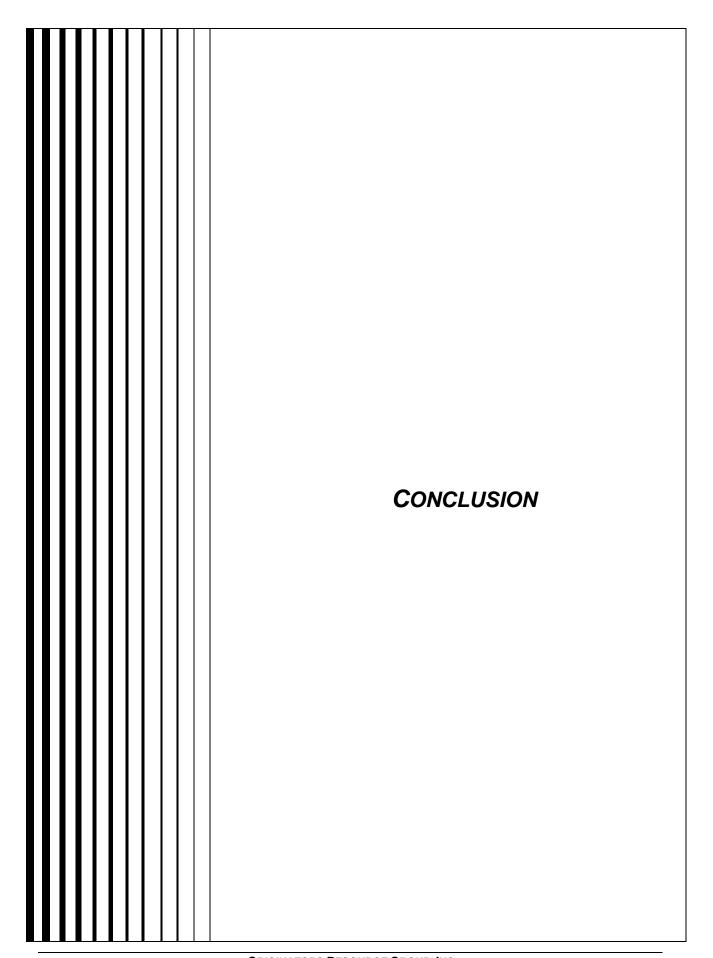
DIRECT CAPITALIZATION SUMMARY AT STABILIZED OCCUPANCY					
Category		Total	\$/Sq.Ft.		
Gross Buildable Area (GBA):	53,207	Sq.Ft.			
Net Rentable Area (NRA):	53,207	Sq.Ft.			
Income					
Potential Gross Income		\$585,277	\$11.00		
Less: Vacancy & Collection Loss	1.0%	(\$5,853)	(\$0.11)		
Effective Gross Income		\$579,424	\$10.89		
Expenses					
Management	3.0%	\$17,383	\$0.33		
Reserves for Replacements		\$5,321	\$0.10		
Total Expenses		\$22,703	\$0.43		
Operating Expense Ratio		3.9%			
Net Operating Income		\$556,721	\$10.46		
	OAR	VALUE	\$/SF		
Capitalization of NOI @:	7.50%	\$7,422,944	\$139.51		
Rounded Conclusion by Direct Capitalization:		\$7,400,000	\$139.08		

Conclusion of Income Capitalization Approach

In our final analysis within the Income Approach, we have considered both methods of capitalization. Direct capitalization approach is the more appropriate method of this approach if an existing property can sustain a stable NOI over a long period of time. This could be the result of steady rents and unchanging expenses or a stable absolute difference between income and expenses, which may themselves vary from year to year. Yield capitalization or discounted cash flow (DCF) analysis is more appropriate when the NOI is expected to change significantly over a period of time.

Based upon our analysis, we conclude that the market value of the leased fee interest in the subject property via the income approach is:

VALUE CONCLUSION					
Valuation <u>Value "As Is"</u> <u>Value Per SF</u>					
Value Conclusion \$7,400,000 \$139.08/SF					
Source: Originators Resource Group, Inc.					



RECONCILIATION OF VALUE

Originators Resource Group was instructed to estimate the market value of the subject property. The value conclusion for each applicable approach is summarized below.

SUMMARY OF VALUE CONCLUSIONS "As is"			
Interest Appraised Leased Fee			
Cost Approach N/A			
Sales Comparison Approach \$7,400,000			
Income Capitalization Approach \$7,400,000			

In analyzing and correlating these value indications to a final estimate of value, each approach must be weighed in relation to:

- Its ability to reflect the motives of a prospective buyer or seller;
- The type, quality, and depth of the data upon which the conclusions are based;
- Its sensitivity and ability to reflect economic changes that affect the availability and cost of mortgage financing; and
- Its ability to reflect the unique character of the property being appraised including factors such as location, size, and income potential.

Income Capitalization Approach

Generally, in relation to the subject property, the Income Approach most effectively meets the above requirements, due in part to the following:

- The Income Approach is more sensitive to a variety of market data, and is more precise in its application.
- The Income Approach more accurately reflects the interrelationship with the supply, demand, income, locational factors, physical attributes of the improvements, and intangible elements that affect value.
- The methodology of the Income Approach more closely approximates the thought processes of typical purchasers of this type of property, as it is the potential return on an investment that is of major interest.

The subject property is real estate investments that were developed to maximize profit with an acceptable degree of risk. Therefore, the Income Approach is considered to be the most reliable valuation method and was given primary consideration.

Sales Comparison Approach

The Sales Comparison Approach is predicated on the principle that an investor or user would pay no more for an existing property than for a comparable property with similar utility. This approach is contingent on the reliability and comparability of available data. The data developed within the report was considered sufficiently reliable to reach a value conclusion by the Sales Comparison Approach since adequate sales were obtained. However, this approach was given secondary emphasis in the final analysis since adjustments to each of the sales were difficult to quantify. As a result, the sales presented provided support for our value indication via the Income Approach.

Cost Approach

The Cost Approach is predicated on the principle that an investor would pay no more for an existing property than it would cost to acquire land and construct a building with similar utility.

Due to the age of the subject and current market conditions, accrued depreciation would be substantial and difficult to estimate. Furthermore, there are no truly comparable land sales within the subject's submarket. As a result, land valuation would be considered arbitrary at best. Given the aforementioned, an investor would not use the Cost Approach due to the imprecise nature of estimating the accrued physical, functional, or external depreciation affecting the improvements coupled with the problems associated with land valuation. Therefore, we have not included the Cost Approach to value in this report.

Value Conclusion

Based on research and analysis contained in this report, it is estimated that the current market value of the leased fee estate in the subject property, in "as is" condition, on August 23, 2005, is:

VALUE CONCLUSION – "AS IS"				
Valuation <u>Value</u> <u>Value Per SF</u>				
Value Conclusion \$7,400,000 \$139.08				
Source: Originators Resource Group, Inc.				

This value is subject to all of the assumptions and limiting conditions stated throughout the report, including specific assumptions and limiting conditions.

INSURABLE VALUE

The definition of insurable value, <u>as used in this report</u>, is the estimated replacement cost of building improvements less the building's physical depreciation. Insurable value does not take into account land value or the value of site improvements.

The replacement cost of the subject building improvements has been estimated. Building cost estimates are based on the Marshall and Swift Construction Cost Guide, a national cost estimating guide. Through the Marshall and Swift Construction Cost Guide, we developed a replacement cost estimate for the subject property considering a good cost Class C (construction) Office Building. The base cost under these criteria is \$101.64/SF. The base cost must first be refined for mechanical items such as elevators, H.V.A.C. and sprinklers and further adjusted for height, current and local cost multipliers. This modified base cost is then adjusted once more for developer's profit, which we have estimated at 25% of the adjusted base cost. The next step in this process is to calculate the building's replacement cost, new, by multiplying the building's total *gross square footage* (53,207) by our estimated base unit cost.

From the subject property's new cost value, we must deduct the cost of the foundation and sub-grade infrastructure (piping, utility hook-ups, etc.) as well as the cost of architect's plans and specifications. These deductions typically average 20% of the property's cost new; therefore, we will apply a 20% deduction. Lastly, we must add back any inclusions such as patios, balconies, etc. In the subject's case, there are no inclusions. Our calculations are presented on the following page.

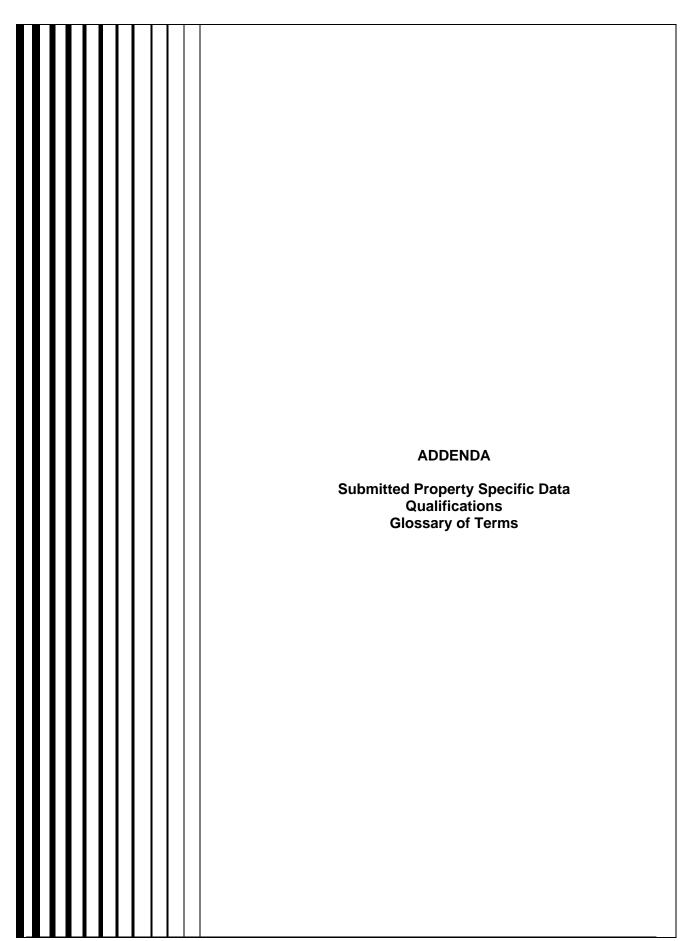
INSURABLE VALUE ESTIMATE				
Category		\$/Sq.Ft.	\$/Sq.Ft.	
Gross Building Area:	53,207	Sq.Ft.		
Number of Stories:	1	Stories		
Base Cost Per Square Foot:			\$101.64	
Mechanical Refinements:				
H.V.A.C Refinement		\$2.50		
Elevator Refinement		\$0.00		
Sprinkler Refinement		\$2.50		
Adjusted Cost:		\$5.00	\$106.64	
Height Multiplier:			1.000	
Adjusted Base Cost:		•	\$106.64	
Story Height Multiplier:			1.000	
Adjusted Base Cost:		•	\$106.64	
Floor Area/Perimeter Multiplier:			0.897	
Adjusted Base Cost:		•	\$95.66	
Current Multiplier:			1.020	
Adjusted Base Cost:		•	\$97.57	
Local Multiplier:		_	1.040	
Adjusted Base Cost:		•	\$101.47	
Developer's Profit @:	25.0%		\$25.37	
Adjusted Cost:		•	\$126.84	
Total Square Feet (GBA):			53,207	
Replacement Cost New:		•	\$6,748,774	
LESS: Exclusions (foundations, etc.):	20.0%		(\$1,349,755)	
Total Insurable Value:	80.0%	•	\$5,399,019	
Rounded Insurable Value:			\$5,400,000	

Therefore, we conclude that the insurable value in the leased fee interest in the subject property, in "as is" condition, subject to the special assumptions enumerated in the body of the report, and to the attached certification and limiting conditions, as of August 23, 2005, is:

INSURABLE VALUE CONCLUSION				
Insurable Valuation <u>Insurable Value</u>				
Insurable Value Conclusion	\$5,400,000			
Source: Originators Resource Group, Inc.				

ASSUMPTIONS AND LIMITING CONDITIONS

- 1. As agreed upon wit the client prior to the preparation of the appraisal, this is a Self-Contained Appraisal in Summary Format.
- 2. This Self-Contained Report in Summary Format is intended to comply with the reporting requirements set forth under Standard Rule 2-2(b) of the Uniform Standards of Professional Appraisal Practice. As such it might not include full discussions of the data, reasoning, and analyses that were used in the appraisal process to develop the appraiser's opinion of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the client and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.
- 3. No responsibility is assumed for the legal description provided or for matters pertaining to legal or title considerations. Title to the property is assumed to be good and marketable unless otherwise stated.
- 4. The property is appraised free and clear of any or all liens or encumbrances unless otherwise stated.
- 5. Responsible ownership and competent property management are assumed.
- 6. The information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
- 7. All engineering studies are assumed to be correct. The plot plans and illustrative material in this report are included only to help the reader visualize the property.
- 8. It is assumed that there are no hidden or non-apparent conditions of the property, subsoil, or structures that render it more or less valuable. No responsibility is assumed for such conditions or for obtaining the engineering studies that may be required to discover them.
- 9. It is assumed that the property is in full compliance with all applicable federal, state, and local environmental regulations and laws unless the lack of compliance is stated, described, and considered in the appraisal report.
- 10. It is assumed that the property conforms to all applicable zoning and use regulations and restrictions unless a non-conformity has been identified, described, and considered in the appraisal report.
- 11. It is assumed that all required licenses, certificates of occupancy, consents, and other legislative or administrative authority from any local, state, or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- 12. It is assumed that the use of the land and improvements is within the boundaries or property lines of the property described and that there is no encroachment or trespass unless noted in the report.
- 13. Unless otherwise stated in this report, the existence of hazardous substances, which may or may not be present on the property, was not observed by the appraiser. The appraiser has no knowledge of the existence of such materials on or in the property. The appraiser, however, is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation, and other potentially hazardous materials may affect the value of the property. The value estimated is predicated on the assumption that there is no such material on or in the property that would cause a loss in value. No responsibility is assumed for such conditions or for any expertise or engineering knowledge required to discover them. The client is urged to retain an expert in this field, if desired.
- 14. Any allocation of the total value estimated in this report between the land and the improvements applies only under the stated program of utilization (if any). The separate values allocated to the land and buildings must not be used in conjunction with any other appraisal and are invalid if so used.
- 15. Possession of this report, or a copy thereof, does not carry with it the right of publication.
- 16. The appraiser, by reason of this appraisal, is not required to give further consultation, testimony, or be in attendance in court with reference to the property in question unless arrangements have been previously made.
- 17. Neither all nor any part of the contents of this report (especially any conclusions as to value, the identity of the appraiser, or the firm with which the appraiser is connected) shall be disseminated to the public through advertising, public relations, news, sales, or other media without prior written consent and approval of the appraisers.
- 18. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the property is not in compliance with one or more of the requirements of the Act. If so, this fact could have a negative effect upon the value of the property. Since the appraiser has no direct evidence relating to this issue, he did not consider possible non-compliance with the requirements of the ADA in estimating the value of the property.
- 19. All values rendered within this report assume an exposure time as well as a marketing period of twelve months or less unless otherwise indicated.



QUALIFICATIONS DIMITRI M. TEDDONE, MAI

PROFESSIONAL EXPERIENCE

Over 15 years of pro forma analysis, real estate appraisal and consulting experience throughout the northeast United States including valuations consisting of over \$3.45 billion in assets.

Originators Resource Group, Inc., New York, NY

1997 - Present

Mr. Teddone recently formed Originators Resource Group, Inc. (ORG) which actively provides real estate appraisal, consultation and due diligence services to the real estate investment and financial community. ORG provides its clients with a high-quality product on a timely basis at a reasonable cost. ORG places great emphasis on maintaining a confidential, fiduciary relationship with the client.

Holliday Fenoglio Fowler L.P., New York, NY

1997

Employed as a manager and mortgage banker. Management responsibilities involved coordinating work flow and directing and overseeing analytical pool. Mortgage banking responsibilities involved originating and sizing deals, preparing preliminary submissions, fielding lender quotes, negotiating commitments, and closing deals. Over \$500 million in whole loans were closed at HFF's New York office during my tenure.

CB Commercial Real Estate Group, Inc., New York, NY

1991 - 1996

Employed as a senior real estate analyst and promoted to Assistant Real Estate Appraiser Assistant after earning the MAI designation in April of 1994. Responsibilities involved analysis and consultation of investment-grade commercial real estate throughout the northeast United States with complete responsibility for analysis and conclusions. Additional responsibilities included marketing, delegating assignments and reviewing work of associate appraisers as well as client contact and follow up with each assignment.

Joseph J. Blake & Associates, New York, NY

1986 - 1991

Initial responsibilities involved site inspection and data collection for senior appraisers. Promoted to an associate appraiser within two months and senior appraiser after two years. Activities included preparation of full narrative and market analysis reports as well as training of new employees. Clientele were primarily major financial institutions.

Medicus Development, Inc., Manhasset, NY

1985

Engaged in field inspections and financial analysis of investment-grade properties for acquisition purposes. Two medical office buildings were purchased in Chicago, Illinois with an aggregate value of \$8.0 million based upon these analyses. Discounted cash flows were prepared on Office 2 and Lotus 123 software programs.

EDUCATIONAL

Long Island University C.W. Post Campus 1982 - 1986 Greenvale, New York Bachelor of Science, Marketing

PROFESSIONAL CERTIFICATIONS

Designated Member of the Appraisal Institute as of April 28, 1994. MAI Certificate #10348

Certified General Real Estate Appraiser: State of New York (#46-000007944) Certified General Real Estate Appraiser: State of New Jersey (#RG-01825)

COMPUTER LITERACY

Microsoft Word and WordPerfect word processing software. Discounted cash flow analyses are prepared on PRO-JECT +plus, Argus, Office 2, Center, Lotus 123 and Excel softwares.

QUALIFICATIONS AMIT M DASWANI

PROFESSIONAL EXPERIENCE

Over 1 year of real estate appraisal experience throughout New York City.

Originators Resource Group, Inc., New York, NY

2005 - Present

Mr. Daswani recently joined Originators Resource Group, Inc. (ORG) which actively provides real estate appraisal, consultation and due diligence services to the real estate investment and financial community. ORG provides its clients with a high-quality product on a timely basis at a reasonable cost. ORG places great emphasis on maintaining a confidential, fiduciary relationship with the client.

Miller Cicero, LLC, New York, NY

2004-2005

Employed as real estate appraisal trainee. Mr. Daswani's initial responsibilities site inspection and data collection for Senior Appraisers. Activities included preparation of full narrative and market analysis reports. Clientele were mixture of major financial institutions small regional banks.

Citi Habitats, Inc., New York, NY

2003-2004

Employed as a real estate salesperson. Responsibilities involved analysis of residential real estate throughout the Manhattan with complete responsibility for advertising and marketing. Additional responsibilities included client contact and follow up with each closing.

AMS Voicecom, Edgewater NJ

2003

Initial responsibilities involved analysis of telecommunications market, as well as development and implementation of marketing strategies. Responsibilities also included recruiting potential business partners and developing special mutually beneficial relationships.

EDUCATIONAL

University of Chicago 1997 - 2002 Chicago, Il Bachelor of Science, History

PROFESSIONAL CERTIFICATIONS

Licensed Real Estate Appraiser Assistant: State of New York (#48-000045371)

COMPUTER LITERACY

Microsoft Word and WordPerfect word processing software. Office 2, Lotus 123 and Excel software.

- **assessed value** Assessed value applies in ad valorem taxation and refers to the value of a property according to the tax rolls. Assessed value may not conform to market value, but it is usually calculated in relation to a market value base. †
- **cash equivalency** The procedure in which the sale prices of comparable properties sold with atypical financing are adjusted to reflect typical market terms.
- **contract, coupon, face, or nominal rent** The nominal rent payment specified in the lease contract. It does not reflect any offsets for free rent, unusual tenant improvement conditions, or other factors that may modify the effective rent payment.

coupon rent

See Contract, Coupon, Face, or Nominal Rent

effective rent 1) The rental rate net of financial concessions such as periods of no rent during a lease term; may be calculated on a discounted basis, reflecting the time value of money, or on a simple, straight-line basis. [‡] 2) The economic rent paid by the lessee when normalized to account for financial concessions, such as escalation clauses, and other factors. Contract, or normal, rents must be converted to effective rents to form a consistent basis of comparison between comparables.

face rent

See Contract, Coupon, Face, or Nominal Rent

- **fee simple estate** Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat. ‡
- **floor area ratio (FAR)** The relationship between the above-ground floor area of a building, as described by the building code, and the area of the plot on which it stands; in planning and zoning, often expressed as a decimal, e.g., a ratio of 2.0 indicates that the permissible floor area of a building is twice the total land area; also called building-to-land ratio. ‡
- **full service lease** A lease in which rent covers all operating expenses. Typically, full service leases are combined with an *expense stop*, the expense level covered by the contract lease payment. Increases in expenses above the expense stop level are passed through to the tenant and are known as *expense pass-throughs*.
- **going concern value** Going concern value is the value of a proven property operation. It includes the incremental value associated with the business concern, which is distinct from the value of the real estate only. Going concern value includes an intangible enhancement of the value of an operating business enterprise which is produced by the assemblage of the land, building, labor, equipment, and marketing operation. This process creates an economically viable business that is expected to continue. Going concern value refers to the total value of a property, including both real property and intangible personal property attributed to the business value. †
- gross building area (GBA) The sum of all areas at each floor as measured to the exterior walls.
- **insurable value** Insurable Value is based on the replacement and/or reproduction cost of physical items that are subject to loss from hazards. Insurable value is that portion of the value of an asset or asset group that is acknowledged or recognized under the provisions of an applicable loss insurance policy. This value is often controlled by state law and varies from state to state. †
- **investment value** Investment value is the value of an investment to a particular investor based on his or her investment requirements. In contrast to market value, investment value is value to an individual, not value in the marketplace. Investment value reflects the subjective relationship between a particular investor and a given investment. When measured in dollars, investment value is the price an investor would pay for an investment in light of its perceived capacity to satisfy his or her desires, needs, or investment goals. To estimate investment value, specific investment criteria must be known. Criteria to evaluate a real estate investment are not necessarily set down by the individual investor; they may be established by an expert on real estate and its value, that is, an appraiser. [†]

leased fee

See leased fee estate

leased fee estate An ownership interest held by a landlord with the right of use and occupancy conveyed by lease to others. The rights of the lessor (the leased fee owner) and the leased fee are specified by contract terms contained within the lease.[‡]

leasehold

See leasehold estate

leasehold estate The interest held by the lessee (the tenant or renter) through a lease conveying the rights of use and occupancy for a stated term under certain conditions.[‡]

load factor The amount added to usable area to calculate the rentable area. It is also referred to as a "rentable add-on factor" which, according to BOMA, "is computed by dividing the difference between the usable square footage and rentable square footage by the amount of the usable area. Convert the figure into a percentage by multiplying by 100.

market value "as if complete" on the appraisal date Market value as if complete on the appraisal date is an estimate of the market value of a property with all construction, conversion, or rehabilitation hypothetically completed, or under other specified hypothetical conditions as of the date of the appraisal. With regard to properties wherein anticipated market conditions indicate that stabilized occupancy is not likely as of the date of completion, this estimate of value should reflect the market value of the property as if complete and prepared for occupancy by tenants.

market value "as is" on the appraisal date Market value "as is" on the appraisal date is an estimate of the market value of a property in the condition observed upon inspection and as it physically and legally exists without hypothetical conditions, assumptions, or qualifications as of the date of appraisal.

market value Market value is one of the central concepts of the appraisal practice. Market value is differentiated from other types of value in that it is created by the collective patterns of the market. Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: 1) A reasonable time is allowed for exposure in the open market; 2) Both parties are well informed or well advised, and acting in what they consider their own best interests; 3) Buyer and seller are typically motivated; 4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and 5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.§

marketing period The time it takes an interest in real property to sell on the market subsequent to the date of an appraisal. ‡

net lease Lease in which all or some of the operating expenses are paid directly by the tenant. The landlord never takes possession of the expense payment. In a *Triple Net Lease* all operating expenses are the responsibility of the tenant, including property taxes, insurance, interior maintenance, and other miscellaneous expenses. However, management fees and exterior maintenance are often the responsibility of the lessor in a triple net lease. A *modified net lease* is one in which some expenses are paid separately by the tenant and some are included in the rent.

net rentable area (NRA) 1) The area on which rent is computed. 2) The Rentable Area of a floor shall be computed by measuring to the inside finished surface of the dominant portion of the permanent outer building walls, excluding any major vertical penetrations of the floor. No deductions shall be made for columns and projections necessary to the building. Include space such as mechanical room, janitorial room, restrooms, and lobby of the floor.

nominal rent

See Contract, Coupon, Face, or Nominal Rent

prospective future value "upon completion of construction" Prospective future value "upon completion of construction" is the prospective value of a property on the future date that construction is completed, based upon market conditions forecast to exist, as of that completion date. The value estimate at this stage is stated in current dollars unless otherwise indicated.

prospective future value "upon reaching stabilized occupancy" Prospective future value "upon reaching stabilized occupancy" is the prospective value of a property at a future point in time when all improvements have been physically constructed and the property has been leased to its optimum level of long-term occupancy. The value estimate at this stage is stated in current dollars unless otherwise indicated.

reasonable exposure time The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. ^{††}

rent

see

full service lease

net lease contract, coupon, face, or nominal rent effective rent

shell space Space which has not had <u>any</u> interior finishing installed, including even basic improvements such as ceilings and interior walls, as well as partitions, floor coverings, wall coverings, etc..

Usable Area 1) The area actually used by individual tenants. 2) The Usable Area of an Nursing Home is computed by measuring to the finished surface of the NURSING HOME side of corridor and other permanent walls, to the center of partitions that separate the NURSING HOME from adjoining usable areas, and to the inside finished surface of the dominant portion of the permanent outer building walls. Excludes areas such as mechanical rooms, janitorial room, restrooms, lobby, and any major vertical penetrations of a multi-tenant floor.

use value Use value is a concept based on the productivity of an economic good. Use value is the value a specific property has for a specific use. Use value focuses on the value the real estate contributes to the enterprise of which it is a part, without regard to the property's highest and best use or the monetary amount that might be realized upon its sale. †

value appraised During the real estate development process, a property typically progresses from a state of unimproved land to construction of improvements to stabilized occupancy. In general, the market value associated with the property increases during these stages of development. After reaching stabilized occupancy, ongoing forces affect the property during its life, including a physical wear and tear, changing market conditions, etc. These factors continually influence the property's market value at any given point in time.

See also

market value "as is" on the appraisal date market value "as if complete" on the appraisal date prospective future value "upon completion of construction" prospective future value "upon reaching stabilized occupancy"